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EAST INDIA (CONSTITUTIONAL REFORMS)

REPORT

Indian States Enquiry Committee
(Financial)

1932

*Presented by the Secretary of State for India
to Parliament by Command of His Majesty
July, 1932*

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Map of India, illustrating position of ports owned by Indian States,
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INDIAN STATES ENQUIRY COMMITTEE (FINANCIAL).

LIST OF MEMBERS.

The Right Hon. J. C. C. Davidson, C.H., C.B., M.P., *Chairman.*

Sir Reginald Glancy, K.C.I.E., C.S.I., *Deputy Chairman.*

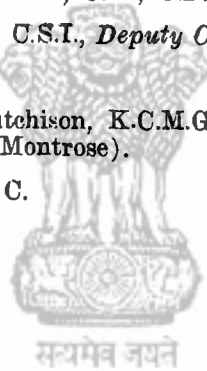
The Lord Hastings.

Major-General Sir Robert Hutchison, K.C.M.G., C.B., D.S.O., M.P.
(now Lord Hutchison of Montrose).

Sir Maurice Gwyer, K.C.B., K.C.

Sir Charles Stuart-Williams.

Mr. J. R. Martin, C.I.E.



REPORT OF THE INDUSTRIES RE-ORGANIZATION COMMITTEE

CHAPTER I INTRODUCTORY

1. The department of Industries, U. P., was created in 1910 and is now run at a net annual cost of about Rs. 9½ lakhs. There is, however, a feeling in many quarters that, if suitable action is taken, it will be possible to get more value out of the outlay on the department than is the case at present. In particular it is considered by some that its development has been lopsided, while others think it has been frittering away its energies in all sorts of scattered and extensive endeavours. It became necessary, therefore, to scrutinize its working in detail to see if there was any avoidable waste and to suggest improvements where necessary, so that it might work more effectively and intensively for the development of industries, possibly in accordance with some carefully drawn up plan.

Circumstances leading to the appointment of Committee.

2. Government accordingly decided in November, 1932, to appoint as a first step a committee consisting exclusively of officials most of whom had experience of the working of the department to survey the whole field of its activities and suggest constructive proposals for re-organization.

Personnel.

The following members were appointed to the Committee :

(1) The Hon'ble Mr. J. P. Srivastava, Minister for Education and Industries, United Provinces ... *President.*

(2) Mr. W. L. Stampe, C.I.E., I.S.E., Chief Engineer, Public Works Department (Irrigation Branch) ...

(3) Mr. J. L. Sathe, I.C.S., ex-Director of Industries ...

(4) Mr. J. C. Donaldson, M.C., I.C.S., ex-Director of Industries, and ex-Deputy Secretary to Government, United Provinces, Industries Department ...

(5) Rai Bahadur Madan Mohan Sinha, M.B.E., Bar-at-Law, ex-Stores Purchase Officer and ex-Director of Industries ...

Members.

(6) Mr. R. C. Srivastava, Deputy Director of Industries (on deputation as Sugar Technologist with the Imperial Council of Agricultural Research) ...

(7) Mr. S. P. Shah, I.C.S., Director of Industries and Registrar of Co-operative Societies ...

(8) Mr. J. A. H. Duke, Deputy Director of Industries ...

(9) Mr. P. M. Kharegat, I.C.S., Secretary to Government, United Provinces, Industries Department ...

Mr. H. K. Mathur, Under Secretary to Government, Industries Department, was appointed to work as Secretary to the Committee.

Terms of
reference.

3. No formal terms of reference were laid down, but it was throughout understood that the Committee should suggest the lines along which the work of the department may be re-organized within the limits of its present normal budget. The task before the Committee was thus one of re-organization and not of increasing or curtailing expenditure.

The Committee surveyed the working of the department under the following heads:

- (1) The development of industries--major, minor and cottage ;
- (2) Marketing;
- (3) The use of hydro-electric power for industrial development;
- (4) The Stores Purchase Department;
- (5) Financial Aid;
- (6) Technical and Industrial education;
- (7) The organization of the department; and miscellaneous matters.

Method of
investigation.

4. A considerable amount of information was made available to the Committee regarding the various activities of the department and particularly about Government technical and industrial institutions and aided schools. Mr. Stampe supplied the Committee with information about the activities of the hydro-electric department with special reference to the industrial uses of hydro-electric power. The views of some consuming officers were ascertained in regard the working of the Stores Purchase Department. With this object the Committee requested Mr. S. T. Hollins, Inspector General of Police, Colonel Palmer, Inspector General of Prisons, and Messrs. Cantin and Anderson, Chief Engineers, Public Works Department, Buildings and Roads and Irrigation Branches respectively, to appear before it and give it the benefit of their experience and the points of view of their respective departments. Representatives of the Commercial Credit Corporation, Delhi, who happened to be present at Lucknow during the preliminary meeting of the Committee, were consulted about the system of rendering financial aid by means of a financing corporation. As it appeared that some institutions might have to be closed down, their heads were given an opportunity of explaining to the Committee the value of the work done at those institutions. Mr. Brave, the Business Manager of the Emporium, was also examined about its present and future activities.

Meetings.

5. The Committee met five times. At the preliminary meeting held on December 17-18, 1932, which was attended by all the members, a detailed list of subjects was drawn up and tentatively discussed. At this meeting two sub-committees were appointed—one consisting of Messrs. Kharegar and R. O. Srivastava to evolve proposals about the development of cottage industries, and another consisting of Messrs. Sathe and Shah to report about the methods of rendering

financial aid. The second meeting, which was attended by all members, except Messrs. Duke and Stampé, was held on February 9 and 10, 1933, when some consuming officers were examined as regards the Stores Purchase Department and some questions in connexion with industrial and technical education and the development of cottage industries were discussed at length. At this meeting a sub-committee consisting of Messrs. Shah, R. C. Srivastava, and Rai Bahadur Madan Mohan Sinha, was appointed to draw up a scheme for the future working of the Government School of Arts and Crafts, Lucknow, in the light of the discussions held at the meeting. The All-India Conference of Ministers and Directors of Industries was held at Simla from July 13 to 15, and thereafter the next meeting of the Committee took place at Naini Tal on September 20 to 25, 1933. This was attended by all members, except Messrs. Donaldson and Sinha. Besides examining the heads of some institutions and Mr. Barve, definite conclusions covering the entire scope of the enquiry were arrived at. The fourth meeting of the Committee was held on December 5, 1933, at which all members except Messrs. Donaldson and Sinha were present and the draft report was discussed. The fifth and last meeting, which was attended by all members except Messrs. Stampé and Donaldson, took place on January 3-4, 1934, when the report was finally adopted.

6. The primary consideration we have had to keep in the forefront is that of the financial limitations of the province, especially at the present time. Realizing that any increase of expenditure in the prevailing financial stringency is out of question and yet feeling the need for increased activities in certain directions, we have had to suggest various economies, so as on the one hand to keep within the existing normal budget allotment and on the other to enable the department to take up work along new lines. Our proposals for retrenchment and expansion of work are, therefore, interlinked and must be taken as a whole.

7. Our thanks are due to the heads of departments who on our request placed before us their views about the working of the Stores Purchase Department, to the Director of Industries and his staff for preparing for our use an enormous amount of material, and to the Secretariat for the overtime work that they had to perform. The Committee is also indebted to those of its members who constituted its several sub-committees and particularly to Messrs. Kharegat and Shah for the industry and care with which they have looked after drafting of the Report. Lastly we record our appreciation of the services of our Secretary, Mr. H. K. Mathur, who has had to work at very hard pressure at every stage of our inquiry in addition to his normal official duties.

Scope and
inter-relat-
ion of our
recommen-
dations.

Acknow-
ledgments.

CHAPTER II

DEVELOPMENT OF INDUSTRIES

scope of
State-aid in
provinces

8. The *raison d'être* of a provincial department of industries must be to help in the development of the industries and trade of the province by all practicable means at its disposal. The principal methods which have been, or can be, adopted by it for the purpose may be summarized as follows :

(i) to give expert advice on the technical and commercial aspects of industries, especially as regards improved methods, machinery and appliances ;

(ii) to collect, compile and disseminate industrial and commercial intelligence to those interested, actually or potentially, in industry and trade ?

(iii) to provide adequate facilities for industrial and technical instruction in order to supply industries with trained personnel of all grades ;

(iv) to carry on experimental and research work, including the testing of, commercial possibilities, on behalf of industries which cannot afford the expense of such work ;

(v) to help in the preparation of schemes for establishing industries and especially those involving the use of cheap hydro-electric power ;

(vi) to supply the whole or a part of the finance required for "block" and working expenses ;

(vii) to grant subsidies on production, etc. ;

(viii) to provide marketing facilities, especially for the products of minor and cottage industries ;

(ix) to purchase the products of industries for the public service.

ther
rms of
State-aid;

9. There are many other important methods of State-aid, such as the imposition of protective tariffs, manipulation of currency, provision of industrial banking facilities on an all-India scale, fixation of railway freights so as to assist industrial development, regulation of inland, coastal and other sea freights with the same objects, the supply of overseas commercial intelligence and other forms of trade consular work, etc. These are, however, beyond the purview of a provincial department of industries. Our findings and proposals are limited to State-aid to industries within the powers of the Local Government and the limits imposed by its financial resources—both present and potential.

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10. The scope for useful work by a provincial department is extensive enough, but with its limited resources it cannot take up everything simultaneously. Hence we have throughout been guided by the need for concentration of effort and intensive development for some years rather than extensive but superficial endeavour. In order to

enable a clear cut programme of work to be chalked out in conformity with this guiding principle, we propose to survey briefly the present position of the various U. P. industries and study, from the point of view of State-aid, their problems and requirements in the light of modern trade tendencies.

11. The mode and extent of the aid that can be given to industries must vary with their character and magnitude. Though no sharp line of demarcation can be drawn between different kinds of industries, they may for the sake of convenience be divided into three categories, viz.—

Classification of Industries.

(a) major organized industries carried on in central factories in which mechanical power is utilized on a large scale ;

(b) minor industries which are carried on in smaller factories utilizing mechanical power on a small scale ; and

(c) cottage industries in which work is done, generally speaking, in the homes of the artisans and occasionally in small factories run by a small industrialists of the *entrepreneur* type, power-driven machinery being rarely used.

A—Major Industries

12. The U. P. occupies a position of more than average importance in the factory-scale industrial system of modern India. The progress made during the past few years may be gauged from the fact that the number of regulated factories has risen from 224 in 1914 to 505 in 1932 and the number of workers employed therein from 62,500 to 103,500. To a certain extent the increase is only nominal, being due to a change in the factory law whereby the basis for regulation was reduced from 50 to 20 workers. But can be safely asserted that, in relation to its various resources, the industrial development of the province has been fully up to that of India as a whole. Its five most important major industries now are, (1) textiles, (2) sugar, (3) oil, (4) glass and (5) leather and leather-working.

23. The number of cotton ginning and pressing factories has risen from 118 in 1920-21 to 124 at the present time and of cotton mills from 18 to 24. The industry is well organized and the only direction in which the department has been able to give assistance to it is the supply of a part of the trained staff, largely of the subordinate class. The province possesses the oldest and largest woollen mill in India : no other large woollen mill has, however, followed in its wake. The weaving of silk is on the programme of certain mills but this industry has so far not been taken up on a scale that need be considered.

Textiles
cotton,
woollen
and silk)

14. The U. P. possesses certain special advantages favourable to the development of a factory-scale oil industry. Its output of oil-seeds comprises 154,000 tons of linseed, which is 40 per cent. of the total amount produced in India, while the corresponding figures in the case of sesamum are 112,000 and 21 per cent. and in that of rape and mustard seed 454,000 and 45 per cent. It also supplies a large internal market for the primary and secondary products of the oil industry and can command the oil markets of the Punjab, Bihar and Orissar, Bengal,

Oil

and portions of Rajputana and Central India. The factory-scale oil industry of the Province has made considerable progress since 1914. Its important centres are Cawnpore, Aligarh, Agra, Bahraich and Chandausi. United Provinces mills hold a large number of Government and Railway contracts for oils and soaps.

15. The oil section of the Technological Institute, Cawnpore, has been assisting persons and firms engaged, or about to be engaged, in the oil industry not only in the United Provinces but also in other parts of India. Broadly speaking, the assistance has taken the following forms:

- (i) Advice regarding the introduction of new methods, machinery and appliances.
- (ii) Re-modelling of existing plants.
- (iii) Utilization of *neem* seed.
- (iv) Experimental work to ascertain the optimum conditions.
- (v) Pioneering work for the manufacture of settled and of milled toilet soaps in the province.

This section has also assisted in the development of subsidiary oil and allied industries, e.g. boiled oils, paints and varnishes, soaps, oil cake, manure, etc. The prevailing trade depression has hit the industry hard and some of the oil mills are not working to their full capacity. This, however, may be only a passing phase and, when trade revives, the industry is likely to regain its footing.

16. A number of important problems still remain. By way of illustration may be mentioned the following:

- (i) The manufacture and improvement of secondary (e.g. boiled oils, soaps, paints, etc.) and tertiary products (e.g. varnishes, sulphonated oil soaps, etc.).
- (ii) Experimental and research work on the commercial utilization of bye-products, e.g. glycerine.
- (iii) Examination of oil-seeds for their qualities and defects.
- (iv) Analysis, specification and certification of oil products.
- (v) Help in the evolution of standard specifications and their acceptance by various provincial and all-India authorities.
- (vi) Trial and testing of new classes of oil-producing plants in conjunction with the Agriculture and Forest Departments.
- (vii) Examination of oils available in India but not utilized for Commercial and medicinal purposes.
- (viii) Designing of small economical plants for the use of industrialists working on a cottage and small-scale basis.
- (ix) Clarification of the oils produced by cottage and minor industries and their utilization for soap-making, etc. for rural or local consumption.

Sugar.

17. The United Provinces accounts for more than half the sugar-cane grown in India and a large proportion of the cane produced is of improved varieties. If all of it were converted into white sugar, the production would be more than sufficient to meet the entire Indian

demand for such sugar. There are now as many as sixty regulated sugar factories operating by the vacuum pan process. The selection of Cawnpore as the headquarters of the Sugar Technologist to the Imperial Council of Agricultural Research is due to the importance of the United Provinces in the sugar industry of India.

18. The sugar section of the Technological Institute has been assisting the sugar industries in various ways, such as—

(i) Giving expert advice in regard to the selection of sites, purchase of machinery, technical manufacturing problems, etc.

(ii) Drawing up schemes and specifications for factories.

(iii) Preparing lay-out plans for factories and checking those supplied by sugar engineering firms.

(iv) Designing and testing small cane-mills and testing machinery made by private engineering firms.

(v) Collecting and disseminating commercial and other information relating to sugar.

(vi) Carrying on research in connexion with the various problems of the industry.

19. Here again, there are several important problems deserving the Department's attention. They relate partly to the industrial aspects and the difficulties of sugar manufacturers, and partly to the agricultural aspects and the difficulties of the cane-growers. Among the most important problems are (i) the securing to the cane-grower of a fair price for his cane, (ii) the industrial utilization of molasses and other by-products, (iii) the improvement of the open-pan process so as to secure a higher yield of sugar, (iv) the supply of properly trained sugar chemists and engineers, (v) co-ordination as regards marketing so that cut-throat competition may be avoided without, at the same time, exposing the industry to the risk of stagnation, (vi) co-ordination among factories so as to secure credit on easier terms, and (vii) assistance in establishing a special engineering industry in the province, so that all the simpler parts of sugar machinery could be made and repaired locally.

20. Glass is another staple and, in many ways, a characteristic industry of this province. For centuries Firozabad and Nagina have been noted for different branches of the industry. Skilled hereditary glass makers (*kacheras* or *shushgars*) are, therefore, available in the province. Suitable sand for the manufacture of glass can be had in or near the province—for example, at Bargarh, Dehra Dun, Lohagarh, Siwai Madhopur, etc. Lime of a fairly satisfactory quality is also available at Dehra Dun, Katni, Maihar, etc. Coal has to be imported from the Bengal and Bihar coal-fields, but these are not very far from the province. Soda is obtained from or through Calcutta. The factories at Bahjoi, Naini and Balawali are among the important glass factories in India, and the sheet and plate section of the Bahjoi Glass Works is said to be the only factory of its kind in the whole of Asia outside Japan. In and near Firozabad there are also numerous glass factories for the manufacture of bangles and sundry glass articles on cottage lines. The aggregate annual turnover of glass factories in the province has been estimated at about 25 lakhs per year.

21. The claims of this industry attracted the attention of the Department as early as 1916. A Glass Expert was appointed ; he was, however, more a blower than a chemist or scientist and his appointment did not produce any appreciable effect on the industry, and after three years his services were dispensed with. Apart from the grant of loans to the Naini and the Bahjoi factories, little has since been done to help the industry.

22. Some of the problems of this industry, in the solution of which the Department can assist, are named below :

(i) Analysis and examination of the raw materials available in India, e.g. sands, lime-stone, refractory materials, etc.

(ii) Drawing up of specifications of each class and grade of glass.

(iii) Examination and testing of imported materials, e.g. soda, borax, colouring agents, pots and crucibles; fixation of their specifications or standards; advice to industrialists on these issues.

(iv) Improvement of the mixtures in current use, which appear to contain excess of soda.

(v) Improvement of the technique in respect of the furnace, fuel, firing processes, temperatures, etc.

(vi) Utilization of the deposits of sillimanite available in India and examination of the possibility of using it for the manufacture of crucibles.

(vii) Scrutiny of the fuel ratio with the object of reducing the cost of production.

(viii) Experimental and research work relating to the manufacture of new glass for lines, e.g. resistance for glass chemical and scientific apparatus.

(ix) Similar work relating to the colouring of glass and glazing materials.

(x) Testing of glass products under standard conditions and their specification and certification.

The department can also help in improving the pottery made at Khurja, Chunar, Nizamabad, other places.

23. The province has one of the two largest complete leather-making and leather-working factories in India. The only important leather-making and leather-working Army Factory managed by the Ordnance Department is also situated at Cawnpore. About ten other tanneries working on factory lines are to be found at Cawnpore and Agra. Agra is the most important centre for the manufacture of leather foot-wear in the United Provinces—perhaps even in India while for leather goods in general, Cawnpore still holds the premier place in India.

24. There was for some years a leather section at the Technological Institute, but it was closed down last year as the local Government came to the conclusion that there was not much scope for the Department of Industries to do really useful work for the benefit of the

factory-scale tanning industry. The small-scale industry—carried on along minor or cottage lines—has, however, its own problems, some of which are :

(i) Selection and determination of the optimum conditions for the use of suitable materials for curing and preserving hides and skins ;

(ii) the introduction among village tanners of chrome processes for tanning and finishing lining leathers and for making and currying *chairs* leather so that it can withstand decomposition due to constant immersion in water ;

(iii) the manufacture of suitable glue, gelatine and similar products from waste ; and

(iv) the introduction of inexpensive tools and appliances among cottage workers for finishing the products.

25. Among other major industries may be mentioned a match factory, a paper mill and a factory for manufacturing sulphuric and nitric acids. There are also a number of flour mills ; a big loan was given to a flour mill some twelve years ago but it only resulted in a heavy loss to Government. A straw-board factory has been recently set up at Saharanpur and experimental work for the utilization of linseed straw for the manufacture of straw-boards is on the programme of the Technological Institute, Cawnpore.

Other
major
industries.

26. This brief survey of major industries shows that the only help which it has so far been possible to give them is occasional expert advice, the provision of staff with some degree of technical training, and in some cases, loans. The products of major industries like textiles and leather have also been purchased through the Stores Purchase Department. It is, however, clearly impossible for the Department to help all industries in all directions. We, therefore, recommend that a few promising industries should be selected ; and they should be assisted intensively in every practicable manner. We attach great importance to this but we do not imply that the Department should have nothing to do with other major industries. There will always be various general problems affecting all kinds of industries with which it must concern itself ; and the Department must give such assistance as it can to all industries and keep in touch with them. But it must devote special attention to a few selected ones and carry on intensive work for them. If as a result even two or three industries are placed on a sound basis in say five years, it will be no mean achievement.

Scope of
work.

27. The three major industries which we suggest should be selected for intensive work are (1) Sugar, (2) Oil, (3) Glass. Messrs. Shah and Duke, however, consider that the various leather industries—whether run on factory lines or otherwise—should be among those selected for intensive development and should take precedence over glass. They hold that as the Sugar Technologist is responsible for the development of the sugar industry of India as a whole, all that the provincial department need do for that industry is to offer its full co-operation to him. They have explained in a separate note (*vide* Appendix I) their views about the importance of the leather industry and the need and scope for State-aid to it. The other members, however, feel that this

Industry needs intensive work only as a minor and cottage industry, specially in the direction of finance and marketing. They doubt whether the organized industry on factory lines needs assistance at present either of a technical or of a financial nature.

B—Minor Industries

28. The line of demarcation between "minor" and "cottage" industries cannot always be drawn with reference to particular industries. Ordinarily, both types are found side by side. The difference between the problems of, and the modes of State-aid to, minor and cottage industries is more a question of degree than of kind; only, in the case of cottage workers the difficulties are more acute and their solutions more difficult and expensive to the State. It is not possible within the limits of a report like this to give an exhaustive list of minor industries. Only some of the more important among them may be mentioned and their problems indicated.

Open-pan
sugar
factories.

29. There are a large number of sugar factories operating on the open-pan system. Such sugar-makers (called *khundaris*) generally buy juice crushed by the cane-growers themselves. The juice is boiled into *rab* and then converted into a low grade white sugar, usually with the aid of centrifugals operated by some form of mechanical power. Some indigenous methods of converting *rab* into white sugar are also employed. About 300,000 tons of sugar are produced in the province in this way, chiefly in the Meerut and Rohilkhand divisions. The main problem of this industry today is how to withstand the competition of Indian factory-made white sugar. Even though the *khundaris* purchase juice (sometimes even cane) at very low rates, they are unable to work at a profit as the yield of sugar by the open-pan process is very low. Besides, the product is of a distinctly lower quality and the preference which *khandsari* sugar used to enjoy, especially among orthodox Hindus, is fast going out. Hence the primary requirement is to increase the percentage of sugar extraction. Although the prospects do not appear to be bright, experimental work with this object in view is already in hand. The alternative is to try to develop a small-scale vacuum-pan plant and an experiment in this direction is being carried out by the Hydro-electric Department in the Bijnor District.

Oil and
Soaps.

30. The problems in the case of the manufacture of soaps as a minor industry and of secondary and tertiary oil products are largely similar to those that face large-scale manufacturers in the United Provinces. Generally speaking, the milling of such soaps is defective in one respect or another. Although their marketing does not appear to be difficult, a central marketing organization, which could guarantee uniform quality and reasonable value, would greatly benefit this industry. There appears to be scope for the development not only of an internal U. P. trade, but an export trade to other provinces as well.

Engineer-
ing.

31. The use of machinery has been increasing gradually. The hydro-electric schemes and the rapid development of motor transport and of the sugar industry are among the important factors that have accelerated the process. Thus the engineering industry in general

has been steadily expanding. The Mechanical and Electrical Engineering department of the Benares Hindu University, the Technical College at Dayalbagh and the three Government Technical Schools help in the provision of suitably trained staff of all grades. But a few men with foreign technical qualifications appear to be needed for the proper development of this industry. A branch of this work which seems to offer considerable scope for expansion is the re-rolling of scrap, iron (e.g. discarded rails, girders, etc.), and similar scrap, into flats, squares and rounds of various sections. The Stores Purchase Department lent its support recently to a Kaupur firm doing this work and is thereby said to have enabled it to survive the competition of powerful rivals. The subsidiary industry of hollow-ware manufacture is showing no progress in the United Provinces. This and other likely engineering industries appear to need the attention of an industrial engineer.

32. The manufacture of pad and tower bolts, locks, various forms of cutlery, lamp stands, plate and other classes of hardware, is already an established industry of both "minor" and "cottage" types. Its principal centres are Agra, Aligarh, Khurja Meerut and Moradabad. Electro-plating of nickel, chromium, silver and gold has come into existence in the principal cities of the province. The chief problem is to reduce the cost of production, so as to enable the local manufacturers to compete with cheap mass-produced imported articles, and for this purpose extensive experimental work beginning with the design and manufacture of cheap pressed locks is necessary. Similarly, assistance towards experimental and research work in connexion with the manufacture of electric fans and motors also appears to be advisable; as this is an infant industry it may also need some financial accommodation and help from the Stores Purchase Department.

Hardware
and
electro-
plating.

33. The imposition of a high tariff duty on imported gold and silver threads has enabled this characteristic of Benares industry to maintain its ground and even to expand to an appreciable extent. It is carried on both "minor industry" and on "cottage" lines. The Mining and Metallurgical Department of the Benares Hindu University can undertake experimental work in various directions, but it appears to be desirable to study the *modus operandi* of the French industry and ascertain exactly how it is able to combine quality with cheapness. It is said that a thorough-going division of work and specialization are responsible for its retention of a part of its old market in India in spite of the high protective duty. Now that a factory under French auspices has been set up at Bangalore, the prospects of the Benares industry capturing the South Indian market have receded.

Gold and
silver
thread
manufac-
ture.

34. One of the chief difficulties of blanket weavers and carpet makers is the difficulty of getting suitable woollen yarns at reasonable rates. Hand-spun yarn is cheaper, but is not sufficiently uniform. An experimental plant was ordered out by Government with the intention of demonstrating the potentiality of wool spinning as a minor industry. This has now been lent to a co-operative society at Najibabad and serves as a practical demonstration of small-scale mechanical spinning of yarn suitable for local requirements. A similar

Textiles.

but more modern plant is working at Dayalbagh; there also the yarn produced is woven locally. There appears to be scope for a few more of such plants, particularly in the hill areas or where cheap power is available. The manufacture of hosiery, either in conjunction with the large-scale industry or as a minor industry, is already established in the province; but it has been hit hard by the prevailing trade depression and, still more, by the competition of imported hosiery. The main problem here appears to be that of marketing the products.

Fountain pens.

35. A small new industry—manufacture of fountain pens—has sprung up at Agra, Lucknow and Banares. The two former manufacture fountain pen nibs also. It is doubtful, however, if the pens made and marketed by small units will be able to establish themselves against the competition of well-advertised imported pens and nibs, which have already captured the market. Moreover, the Indian market demands cheap moulded rather than bored-out pens and this subject deserves to be further studied abroad.

Woodwork.

36. Bareilly is easily the most important centre of the wood-working industry. Furniture is made largely on cottage lines, following more or less the same organization as in the case of other cottage industries. But, a few firms have taken this up as a minor industry utilizing mechanical power. The local Wood-working Institute has been supplying trained men for the furniture and wood-working trades. The Indian furniture industry is now threatened with an invasion by cheap mass-produced common articles of furniture imported from the Baltic States. Although, owing to the great distance of the markets served by Bareilly from the ports, this invasion has not yet assumed a serious magnitude in the United Provinces, the industry is bound gradually to lose some of its markets, principally for cheap chairs, tables and teapots, unless costs of production, packing and transport are reduced. Closer co-ordination is required between the manufacturers, with a view to the acceptance of standard specifications as a preliminary step towards mass production; the Department can give a useful lead in this direction.

Scope of work.

37. It will be seen from this survey that minor industries have their own problems which call for solution and help from the Department. A certain amount of assistance has been given in the past by the training of mechanics, fitters and similar subordinates for the various engineering trades; and experiments and research have been undertaken from time to time for the benefit of some industries. There is, however, no definite programme. We suggest that the Department might concentrate its attention on the following main lines of help:

(1) Furnishing expert advice and commercial intelligence relating to every phase of the industries concerned, and in certain cases help in the evolution of standard specifications.

(2) Study of the main technical problems and experimental work at State expense to solve them.

(3) Marketing and financial accommodation for marketing.

Efforts should also be made to help educated middle-class youths, especially the ex-students of the Department's institutions, to set up in such industries.

C—Cottage Industries

38. Within the compass of a report like ours it is not possible to give an exhaustive list of all cottage industries. Some of them are of purely local importance; some others are closely associated with agriculture and animal husbandry. These can hardly be considered to be within the purview of a provincial department of industries and trade. There are, however, a large number of cottage industries of more than local importance; in fact, U. P. is pre-eminent for its variety of handicrafts. These may be sub-divided into (i) artistic and (ii) non-artistic, and the more important of them will now be mentioned.

39. *Moradabad and Benares brass*—The manufacture of engraved and lacquered or enamelled brass-ware still continues to be the speciality of the Moradabad industry. Benares has for a long time past specialized in line and repoussé work on sheet and hollow-ware, generally of brass and copper. Both the Moradabad and the Benares industries used to cater for overseas markets also, but this trade is said to be declining, particularly at Benares. The quality of the brass and other raw materials used as well as the craftsmanship have gone down considerably at both centres.

Artistic
Handi-
crafts.

40. The industrial survey of the province (1923—24) showed that this industry then gave employment to about eight thousand persons. The artisans are financed by local dealers, to or through whom the products are ultimately marketed. Firms whose quality and dealings can be depended upon are available at each centre, but owing to the constant price-cutting competition quality goes on deteriorating. The only assistance that the Department has so far found it feasible to render is the provision of instruction, and of marketing facilities through the Emporium. A loan was also advanced to a Moradabad firm for the establishment of an export trade. Unfortunately, it endeavoured to market only the cheapest class of articles, not really representative of genuine Moradabad craftsmanship and this is said to be the principal reason why the loan did not prove particularly successful.

41. Broadly speaking, the main problems that have to be tackled in connexion with this industry are—(i) improvement of commercially-promising designs (including the inauguration of new ones and the adaptation of old ones to modern tastes and requirements), and (ii) marketing. Practical instruction in improved technique is also required, while co-operative finance for the purchase of materials and tools and the sale of the products is also indicated.

42. *Gold and silver brocade and embroidery*—The manufacture of fabrics made wholly or partly with gold or silver thread has throughout the ages been a speciality of Benares. Such fabrics are made principally for the internal Indian markets. The industry is organized on the lines usually followed by all fairly developed cottage industries. The hereditary skilled artisan has little to learn so far as manipulative efficiency is concerned. But the industry needs help as regards (i) publicity and propaganda in overseas markets, (ii) marketing in India and abroad, and (iii) the improvement of designs and appliances and other forms of technique.

43. *Artistic wood-work*—There are three principal centres which specialize in different lines of artistic wood-work, viz. Saharanpur, Nagina and Mainpuri. Saharanpur specializes in carving and fret work the predominant scheme of designs is the vine branch, bunches of grapes and leaves. Various articles are produced, principally screens, teapoys, tea tables and trays. It was estimated in 1923—24 that about 250 persons were employed in the industry and the value of the trade amounted to Rs. 1,20,000 per annum. Nagina specializes in bas-relief work, usually on ebony; there is no fret-work. The surfaces so wrought are stained deep dark. The designs are based on geometrical patterns. The articles generally produced are walking sticks, cash and jewellery boxes, cigarette-cases, and similar small articles. The industry used to employ about 40 to 50 persons. The speciality of Mainpuri is the inlaying of brass, copper or other metallic wire and pieces in wood, generally *sheesham*, for making such things as tables, teapoys, ceremonial chairs, trays. Here also the designs are based on geometrical patterns.

44. Government took over an industrial school at Nagina but it was run as an ordinary carpentry school and was recently closed down. For the benefit of the Mainpuri wire-inlay industry an instructor has been maintained for several decades, but no tangible benefit appears to have resulted. In fact all these industries are declining; the principal defects are :

- (i) The use of unseasoned and inferior timbers,
- (ii) Progressive deterioration of craftsmanship.
- (iii) Lack of finish and polish, use of inferior fittings, stains, and other materials.
- (iv) Lack of new designs, and inability to work out new classes of articles-
- (v) Insufficient attention to the development of overseas markets.

45. *Artistic pottery*—Khurja, Nizamabad and Chunar specialize in different styles of artistic pottery, but the designs, finish, material are all unsuitable or unsatisfactory. The present value of the production at all three centres does not perhaps exceed a few thousand rupees. The main difficulties have been :

- (i) Inability to improve the body composition so as to make the articles less fragile and less porous.
- (ii) Inability to think out new classes of articles
- (iii) Defective designs, appliances and technique particularly in the matter of firing temperatures.
- (iv) The use of inferior glazing materials resulting in cracks in the glazed surfaces;

A grant for research work was sanctioned recently by the Board of Industries, the results obtained so far are said to be promising.

46. *Jewellery and gold and silver ware*—The principal centres for the manufacture of jewellery and gold and silverware, are Lucknow, Benares and Agra. The trade in the products of these industries is seasonal. Government help has so far taken two forms, viz. (a) stocking of a few articles for sale through the Emporium and (b) the maintenance of certain classes in the crafts section of the School of Arts and Crafts. The scope for State-aid is narrow.

47. *Miscellaneous*—A number of other artistic cottage industries are also still carried on, such as the *chikan* work of Lucknow; the Farrukhabad, Bulandshahr and Lucknow styles of printing on silk cotton and other fabrics; and the marble and alabaster work of Agra. Lucknow produces small ornamental articles cast from gun-metal into which silver ornamentation is beaten in after the design has been engraved. The ivory carving industry of the same place is gradually dying out partly because of the high cost and partly on account of the competition of other centres in India which are more favourably situated.

48. *Textiles*—The chief non-artistic cottage handicraft is the manufacture of textiles cotton, silk, woollen and mixtures. The one tangible achievement on behalf of this industry is the introduction of the fly-shuttle loom. Certain new lines of work have also been assisted, e. g. the weaving of Dossi silks at Benares and Shahjahnpur; and the manufacture of one-piece blankets by the blanket-weavers of Najibabad. The chief directions in which help is required are the adoption of efficient appliances and of new and improved designs, the supply of technical and commercial information, and facilities for marketing.

Non-artistic
Handicraft

49. *Leather making and working*—Leather-making, and finishing, of leather ranks next after the handloom industry and was recently found to give employment to well over one lakh of the population of the Province including about 72,000 actual tanners. Some work has been done by the Tanning School at Fatehpur, but the industry, which is carried on at a number of other centres, requires attention in the direction of improving the indigenous methods of tanning as carried on in the villages without adding appreciably to the cost. Leather working comprises the manufacture of footwear, harness and saddlery, travelling kit, *sharsas*, thongs, leather-upholstery and miscellaneous goods. For footwear, Agra holds the pride of place not only in the United Provinces but perhaps also in India. In 1923-24 this industry gave employment at Agra alone to about 25,000 persons its value then being Rs.40 lakhs a year. It is run on cottage lines but is much better organized than the cottage tanning industry. Small capitalists belonging to the middle classes take to it more kindly than to leather-making, some schools have been maintained or helped on behalf of this industry, but it is doubtful whether they have succeeded in materially assisting it. The chief form in which assistance is needed by it, is in the direction of marketing.

50. *Miscellaneous*—The manufacture of brass and copper-ware for ordinary household use in an industry of some importance giving employment to about 14,000 persons. The weight of the output was once estimated to be about 1½ lakhs of maunds per annum. The manufacture of plate and other table-ware and of tinplated utensils like *thalies*, *katoras*, *lotas*, and *vases* is a speciality of Moradabad. Locks, cutlery,

hardware and furniture are also manufactured largely on cottage lines. For centuries past Kanauj has been the main centre for the preparation of perfumes; in 1922 it was estimated that the value of this trade amounted to about Rs.12 lakhs per year. Both the industry and the trade have, however, been on the decline. The technical processes of distillation require to be improved, but as the distillation plants have to be movable, the problem presents considerable difficulties. A number of other small industries have also come to be established in the Province, such as the manufacture of gold and silver thread by the 'electro-deposition of metal' process, boot polishes and creams chiefly at Lucknow, Agra and Aligarh; boot and shoe laces at Lucknow; electric lamp stands at Aligarh; drug extracts, tinctures and other pharmaceutical preparations at Cawnpore; disinfectants at Lucknow and Cawnpore; Turkey-red oil and other preparations for the textile (dyeing and finishing) industry at Cawnpore.

scope of
work.

51. The chief direction in which an attempt has hitherto been made to help cottage industries is by the establishment of a number of industrial schools intended to improve the designs, the technique and hereditary methods of work of the artisans. Their actual achievements have, however, not come up to expectation; they have rarely risen above ineffectual efforts to impart practical instruction, mostly to non-artisan boys. The Emporium has helped in the marketing of the artistic products of cottage industries to the extent of about Rs.25,000 to Rs.30,000 a year; it has however, touched only a fringe of the problem. The greatest need of cottage workers at the present time is State-aid towards remunerative marketing; there is considerable scope for useful work in this direction. Another principal direction in which they require help from the State is the improvement of the traditional designs and the introduction of new ones, and their adaptation to new classes of goods. To put it briefly cottage workers need help and guidance as regards both marketing and production.

D—Expert Advice

52. The extent of the assistance which the Department can give to industries must depend largely on its capacity to give expert advice to those in the industries and trades concerned. For the major industries it must have on its staff a number of experts each responsible for the intensive development of a particular industry. Each expert should be able to devote the major part of his time and energy to the industry placed in his charge—especially to problems connected with research and marketing and be comparatively free from teaching duties. He should maintain live contact with the trade, watch markets, and be fully posted up with information about this aspect of his work. He should be able to advise prospective industrialists about the location of factories, the size and type of plant needed, its initial and working costs in relation to output and quality, etc. In short he should be able to give as complete technical, industrial and commercial advice and information as possible. These experts should be empowered to perform the necessary administrative functions, carry on correspondence with other government officers, business men and the managements of mills, and have direct access to the Director. Their status might be approximated to that of

deputy directors; and they should feel that the development of the industry placed under their respective charge is their "special responsibility".

53. We recommend that an expert should be attached to the Department for each of the three selected major industries, viz., sugar, oil and glass. The honorary services of the Sugar Technologist to the Imperial Council of Agricultural Research are available to the Department at present; hence it is not necessary to maintain a separate sugar expert. There is already an oil technologist in the Department who can give advice on the chemical and engineering aspects of the oil and allied industries. As regards glass, it is not likely that a person can be found who will combine in himself the necessary qualifications to be able to deal with all the problems of the industry; it will, therefore be necessary to appoint various experts in succession who may tackle its different phases. Messrs. Shah and Duke hold that the Department should also have a leather expert (*vide* Appendix I). In addition to these experts for specific industries, there should be on the staff of the Department an industrial engineering and a commercial expert for tackling the commercial aspects of industries in relation to those which do not fall within the scope of the other experts. These two officers may do other work also and perform the functions of Deputy Directors.

54. As regards other industries, it is possible to utilize the services of the heads of the various industrial institutions, for advice and guidance to a certain extent. It will not be possible for them to work like regular wholtime experts; but they may be called upon to perform somewhat similar functions and work as superintendents of certain specified industries in addition to carrying on their instructional work. They should be assigned such administrative functions as can be suitably delegated to them, and should tour about and supervise subordinate institutions on their technical side and visit the centres of the industries concerned, so as to remain in close touch with them and their requirements.

E—Commercial Intelligence

55. One of the important duties of each expert should be to compile or help in the compilation of technical, industrial and commercial intelligence relating to the industry in his charge and to pass it on to those engaged, or likely to engage, in that industry. The Department receives numerous industrial and commercial enquiries but it is not always in a position to answer them properly. In particular, such work should comprise :

(a) the sources, actual as well as potential, of raw materials, their prices and other incidental expenses, e.g., cost of transport;

(b) the names of makers of machinery, its suitability for various purposes, prices and comparative working-costs in relation to efficiency;

(c) a study of actual as well as potential markets for the products;

(d) a study of the movement of commodities and the agencies and channels through which it takes place ;

(e) the names of the places where articles are consumed, the retail prices paid by consumers, and a study of the change required to suit them to the tastes and paying capacity of customers.

56. The industrial surveys, which took place in 1922-24, were only a first step towards a full survey. It was then contemplated that these territorial surveys would be followed up with intensive studies of each industry. It has not, however, been found possible to undertake this survey and even the territorial surveys have got out of date. Monographs dealing with certain industries were prepared about a generation ago ; if these are revised and brought up to date, they should prove useful. We suggest that the territorial surveys should be brought and kept up to date and that the Department should build up detailed monographs in the first instance for those industries which are selected for concentrated intensive development. In addition a survey of consumption, i.e. of the markets for the products of this Province—both in India and abroad—should be undertaken ; so that it may be known where the articles produced are being sold and at what price.

Conclusions

57. The industrial development of the Province can be fostered in various ways, but the resources of the Department are limited and it cannot arrange to give adequate assistance in all possible forms to all industries. It should, therefore, select three industries, viz., sugar, oil, and glass, appoint an expert for each and try to develop them intensively in every way possible. Other industries should also be helped as far as practicable, but special attention should be paid to the marketing of the products of cottage industrialists, giving them expert advice and carrying on experimental and research work. It is essential for this purpose to have a survey of the commercial possibilities of different cottage industries and to supply commercial intelligence to those in business.

CHAPTER III

MARKETING

58. The main problem in front of all industries at present is to find a market for their products. Manufacturers are handicapped because they usually have but imperfect information as to what consumers really need and appreciate. It is, therefore, necessary to survey and study existing markets and ascertain what kinds of goods are or are likely to be required by consumers and to what extent they are purchased by them in different places. It is, however, not sufficient merely to know what the market needs. The production of good and cheap articles of the type required has to be supplemented by organization for pushing sales by canvassing, advertisement, propaganda, etc., so as to bring the quality types suitability, price and other relevant details to the notice of consumers. In the case of articles produced by cottage workers, it is further necessary to ensure that consumers will be able to get the articles they want and will not be disappointed as regards their quality, price, etc.

Introductory.

59. Organized industries can to some extent afford to study the market, to standardize production and arrange for prompt supply and to push sales. But they also have their problems, although these are different from those of cottage industrialists. The latter are mostly illiterate, poor and unorganized. As a rule, they are not in close touch with the changing requirements of consumers. They tend to become traditional and conventional and to continue to manufacture according to time-worn designs as their fathers and grand-fathers did and trust to luck to find a sale for their products; they cannot always be relied upon to manufacture up to specification, being hampered partly by incapacity and partly by dishonesty, they do not know where to sell their goods to get the best terms. Owing to their poverty, they have to sell out as soon as possible to the local dealers who often exploit them. The latter, however, do perform some useful and at present even indispensable services; in most cases they finance the workers and stock the article for sale after buying them up outright; they sometimes indicate changes in designs and patterns and penalise bad workmanship by paying less. But, generally speaking, they charge a high price for their services. They are themselves largely ignorant and do not quite know what the market wants, they have no means for advertising and getting into touch with distant markets and their purchases are somewhat in the nature of a gamble. The result is that they try to safeguard themselves against losses by cutting down the prices they pay; this in turn practically compels the cottage workers to resort to malpractices to eke out a living for themselves; thus the standard of article produced deteriorates and the industry declines.

Differences in the problems of organized and of cottage industries.

60. This brief survey shows that in the case of cottage industries, the problem of the sale of the articles produced at a reasonable price is of very great importance and mere improvements in the technique of manufacture will not suffice. But sale and production are closely interlinked, and sales cannot be developed unless production is also organized and, where possible, standardized; there is a serious risk of failure if either side of the work does not receive adequate attention. It has at the same time to be realized that while some degree of

As also of artware and non-artware cottage industries.

standardization is possible in the case of ordinary articles made by cottage workers, it is difficult if not impossible to standardize all, especially artistic articles; nor is too much uniformity desirable for the latter. Moreover, broadly speaking, only the artistic products can aspire to cultivate overseas markets. The problems in connexion with the sale of artistic goods are thus different in many ways from those of ordinary articles of every day requirement.

Treatment
of the
subject.

61. It would, therefore, appear to be more convenient to consider the marketing problems of industrial products in three sections—

- (a) artistic goods produced on cottage lines;
- (b) ordinary products of cottage industries, and
- (c) products of organized industries—major and minor.

A—Artware

62. The question of the sale of artware produced by cottage workers in the United Provinces is closely interlinked with that of the Arts and Crafts Emporium as at present constituted. This institution has passed through many stages, various policies have been tried and tested and each change of policy or system of work has been based on actual previous experience. It would, therefore, be an advantage to trace the history of this institution in some detail to see what difficulties have been encountered and how efforts have been made to surmount them.

History
of the Ems
porium.

63. A depot was started in Cawnpore in 1915; it was intended to be a recognized centre where the products of cottage industries could be collected and made available to purchasers, and to act as an accredited agency for orders where a foreign buyer might with some assurance register his order and expect that it would be honestly dealt with. Actually it was not successful and it was held that the chief causes of failure were that it was run on too general lines, that it did not make adequate arrangements for establishing a market in foreign countries and that it did not furnish sufficient financial facilities to the manufacturer.

64. Accordingly in 1919 it was transferred to Lucknow, designated as the Arts and Crafts Emporium and placed in charge of Mr. Nat Heard, Principal of the School of Arts and Crafts. He organized it *de novo*, confining its activities to artware, and tried to develop foreign trade on the basis of an unrecognized monopoly for the Emporium. This yielded good results at first. Suppliers got fairly steady orders and promising or proved designs. Buyers, especially those overseas, could rely on the quality and finish of the goods they were buying. Connexions were gradually built up. In essence, this is practically the same system as was, and in some cases is, being even now followed by the Gulzarbagh Institute, Patna (a Bihar Government concern) and by several private firms, as for instance, the Kailash Carpet Factory at Agra and Messrs. Hill & Co. at Mirzapur for carpets, and the Cawnpore Dyeing and Cloth Printing Co., Cawnpore, for Farrukhabad curtains and other prints. When, however, the question of India's participation in the Wembley Exhibition was on the anvil, the claims of private enterprise had to be considered, and it

was decided that though the Emporium should participate, it should not be the sole exhibitor or marketing agent of the artistic handicrafts of the United Provinces and that manufacturers and traders should be allowed to exhibit and market them independently. The results were unfavourable not only to the Emporium but also to the United Provinces trade and handicrafts. Private enterprise took only a short-sighted view and looked to immediate business and quick and large profits. Quality was sacrificed and the Emporium tradition went by the board; the name and the dependability also went. Unfortunately this followed the discovery of irregularities and embezzlements in the Emporium accounts and after an inquiry Mr. Heard and some of the Emporium staff had to go in 1923. Though the policy had a promising beginning, the later developments left an unhappy legacy and an evil memory.

65. This led to the adoption of the policy that the Emporium should be run as a business concern and should "pay its own way." It was removed from the Arts and Crafts School and located in the business quarter of Lucknow; later on, the control of the Principal of the Arts School was given up and a separate Business Manager appointed. The Burn Committee in 1925 recommended that the business should be divided into three branches, viz.—

(a) agency work for manufacturers who would deposit samples at the Emporium at confidential rates for wholesale consignments,

(b) sale, on a commission basis, of articles on behalf of manufacturers, and

(c) purchase of specially selected products and their retail sale.

But the Emporium could get no agency work or obtain articles for sale on a commission basis. It tried to work as a small curio retail shop, but it soon became clear that, owing to the heavy overhead expenses, partly necessitated by the propagandist work it had to do (though this had no place in the programme then prescribed by Government), it could not possibly pay its way.

66. Moreover, it was felt that Government should not engage in business merely to make a profit and should help cottage industries by advertizing and publicity and by financing purchases with a view to sale—not for private profit but with the idea of giving state-aid to unorganized cottage workers. Accordingly, a new policy was enunciated in 1929 that the Emporium should be partly a business concern and partly a publicity-propaganda agency and should be subsidized by Government to the extent of Rs.20,000 a year. Retail and wholesale trade were permitted and the Business Manager was given a direct personal monetary interest in the volume and value of the trade handled by or through the Emporium. The export trade was intended to be the main object and the retail business only a subsidiary function, which should be carried out only till supplies could be properly organized. The aim was to carry no stock; the Emporium was to work as far as possible on a "sample and catalogue" basis, buying against orders received, and to acquire a reputation for selling articles of good workmanship and design at a fair price and with promptitude and

fair dealing. The difficulty of working without stocks was realized, but the idea of a subsidized stockist was not accepted and it was decided that the minimum stocks required should be carried.

67. This policy has been in force ever since. The results of the various systems may be seen from the following table which shows the net cost of the Emporium, i. e. the actual expenditure minus the trading profits, and the value of the sales made by it at Lucknow, at its various agencies and abroad :

Turnover by and expenditure on the Emporium

Year	Expenditure	Turnover by sales			Sales in foreign market (direct or through agencies)	Total	Percentage ratio of expenditure	
		Lucknow	Through branches and agencies in India				To the turnover or sales at Lucknow, i. e. column 2 column 3	To total turnover, i. e. column 2 column 7
			No. of branches and agencies	Sales				
1	2	3	4	5	6	7	8	9
	Total Actual expenditure (a)							
	Rs.	Rs.		Rs.	Rs.	Rs.		
1924-25	10,926	24,443	Nil	Nil	3,325	27,768	44.6	89.3
1925-26	12,707	9,174	Nil	Nil	11,898	21,072	181.5	60.3
1926-27	15,845	17,531	Nil	Nil	2,741	20,252	90.3	78.2
1927-28	15,193	8,611	Nil	Nil	4,090	12,701	176.4	119.4
	Net expenditure (a)							
1928-29	5,176	10,467	Nil	Nil	14,806	24,773	49.4	20.9
1929-30	4,866	23,698	Nil	Nil	4,714	28,347	20.6	17.2
1930-31	6,058	23,996	(b) 4	629	2,935	26,931	25.2	22.5
1931-32	5,385	(c) 18,463	7	7,774	3,954	50,741	29.2	10.6
				(d) 29,550				
1932-33	4,997	24,754	12	23,380	806	48,940	20.2	10.2

NOTE—(a) The figures of expenditure for the years 1924-25—1927-28 are for the total expenditure. Those for the subsequent years represent the net expenditure after deducting the trading profits. No account has been taken of depreciation in the value of stock.

(b) The system of branches and agencies was inaugurated in 1930-31.

(c) During the hot weather the Emporium remained closed at Lucknow but was opened at Mussorie.

(d) For sales at Mussorie.

It will be seen that though foreign sales have declined in value during the past few years, the total business done is slowly increasing, because of the branches and agencies which have been established.

68. In other words, the Emporium as a selling organization has, in spite of the widespread depression in trade, not only maintained its trading position but extended its total business. It is also finding a larger market for artware products, thus conferring benefits on the cottage workers. On the other hand, it has not been able to effect

any noticeable improvements in cottage industries, has failed to introduce new designs and has not developed foreign markets, although this was intended to be its primary function. It has also been urged that in effect it has reduced itself to the position of a retail shop, mostly for curios and artware, maintained by Government. The ratio of expenditure to turnover has been criticized as excessive, and the question about the State competing with private enterprise in this direction has also been raised.

69. The points for consideration, therefore, are whether the underlying policy of the Emporium is sound or needs alteration; whether it is being run along right lines; what steps should be taken for the development of trade, both foreign and Indian, and how it should be organized. These problems will be considered under the following heads:

- (a) Policy,
- (b) System,
- (c) Indian trade,
- (d) Foreign trade, and
- (e) Organization.

70. The present policy is that the Emporium should be run as a State-owned concern, with a special grant from Government. This is criticized on the ground that it has deteriorated into a mere retail shop getting a big subsidy from Government and that private enterprise could do the work at much less cost to the State. Now, the functions of the Emporium are threefold; (i) it has to act as a sort of "commercial museum" introducing new designs and carrying on publicity and propaganda, so as to bring the articles made to the notice of consumers; (ii) it must find or create markets, both wholesale and retail, for artware goods made by cottage workers, and (iii) it must organize the latter so as to get them to execute orders honestly and in accordance with approved standards and designs. At the same time it must be borne in mind that it is not a profit-making concern but one designed to better the lot of cottage workers. We consider that these functions, some of which are of an altruistic nature, cannot be carried on by an organization which is not State-owned. The Emporium is not intended to be a mere selling business and must afford facilities for publicity and propaganda and maintain a living connexion between the manufacturers and the consumers, acting in *their* interests and not in its own. Such work cannot be done by a private or subsidized institution.

Policy.

71. An alternative that was suggested to us aimed at bifurcating the work. It was proposed that Government should only be responsible for the philanthropic part of the work and should run a "commercial museum" for the purpose. This institution would only stock samples on the basis of which orders might be secured. In view of the fact, however, that unorganized cottage workers would not be able to comply with orders promptly or at short notice, and in order to avoid the resulting loss of business, the maintenance of some stocks was considered indispensable. To meet that difficulty it was suggested that this strictly commercial part of the work might be transferred to a private-owned but State-subsidized business concern which might

keep stocks and do the selling work, receiving a small subsidy from Government for the purpose. Thus the "museum" would obtain orders and pass them on to the subsidized stockists, who would supply the articles required, if in stock, or get them made.

72. We doubt, however, if the work would be effectively carried on in this way, as it presupposes complete co-ordination between the "museum" and the private concern. Moreover, the "museum" will find it very difficult to work on a basis of samples in the case of artware, as the industry is in an undeveloped stage and these articles are not standardized. A large number of samples will have to be kept in any case and they will have to be sold off from time to time and replaced by new ones, if the museum is to fulfil its proper function; in other words, it cannot avoid sales.

Again, there are likely to be difficulties if a new design is introduced by one institution and the articles made accordingly are to be supplied to another; after all, what the cottage worker wants is not a new design or shape for its own sake, but the ability to sell what he makes, and it is the person who places orders with him to whom he will turn and not to the museum for help and guidance. Moreover, the cottage workers need to be properly trained; a subsidized stockist will look to his own profits and not to the training of the cottage industrialists or the need for maintaining a certain standard of quality and workmanship. A shop owned and run by Government would be able to set up a standard, both as regards price and quality, to which private enterprise can conform. We consider that it will be an advantage if all these functions are carried on by a single organization, which can only be a State-owned Emporium and that, therefore, the policy in this respect laid down in 1929 need not be changed; in other words, the Emporium should be partly an agency for publicity and propaganda receiving a subsidy from Government and partly a business concern, but the development of the export trade should be its main object and the retail business only a subsidiary function, care should also be taken to see that it does not become a mere retail shop and attends to its other and more important functions.

System:

73. While the policy guiding the maintenance of the Emporium appears to be sound, the system on which it is actually being worked needs to be improved. In particular, the Emporium has not been able to introduce new designs and shapes which would appeal to consumers or to give sufficient practical guidance to manufacturers in this respect. For instance, brass workers still continue to make only trays and vases; no attempt has been made to introduce the manufacture of other kinds of articles, or even to prepare them in more attractive shapes and improved designs; ash trays are still made in marble, regardless of the fact that ashes leave a stain thereon; beautiful work is often spoilt by lack of finish, e.g. big nails, bad hinges, etc. It must be the business of the Emporium to bring such defects to the notice of the manufacturers and to pass on new ideas to them.

74. Again, it is to be regretted that the School of Arts and Crafts, which is intended to be a seminary of design, should have done so little to help in the introduction of new designs with commercial possibilities. The object of the designs evolved by the School appears to

be to try and bring about a change in public taste. The Emporium, however, must aim at supplying designs acceptable to the public, both in India and abroad, so that the volume of business handled by or through it or with its assistance, may grow to the maximum extent. The Business Manager is not a designer of artware; he only understands these goods as a salesman. We recommend that the Superintending Craftsman of the School should work as an Adviser of Designs to the Emporium and be held responsible for their introduction and improvement; it may be impressed on him that this should be taken as among the more important legitimate duties attached to his post. He should be given an assistant to serve as a craftsman designer, who would prepare designs and help in their execution. We do not consider it necessary to import a special designer, in order to introduce designs which would be popular in foreign markets, as such a person would be unduly inclined to westernize Indian designs; but the needs of the trade and the present and probable tastes and tendencies of consumers must be ascertained, and designs adapted and improved accordingly.

75. The introduction of new shapes and designs must be supplemented by some arrangements for ensuring that the articles are manufactured accordingly; in other words, there must be some agency for seeing that orders are properly executed. The Emporium has to depend for this purpose on local dealers and middle men who supply the necessary raw materials and finance to the cottage workers, see that they manufacture in accordance with the designs required and then sell the goods to the Emporium; naturally they charge their own profits and have a tendency to increase them by paying as low a price as possible to the cottage workers. Again, they try to short-circuit the Emporium by supplying articles direct to consumers and thereby set up cut-throat competition among themselves, which leads to a gradual deterioration in the quality of the articles made and consequent damage to the industry; this is what happened at and after Wembley. The establishment by the State of branches of the Emporium at manufacturing centres is not considered feasible, chiefly on account of the expense. Co-operative societies should, however, be started for the purpose where local and other conditions permit and subsidized to some extent by the State. Until these are developed, there is no alternative to selecting a few reliable local men and placing orders through them, on the definite understanding that they must arrange for their proper execution and deal fairly with the actual manufactures. The touring staff of the department should see that this is being done.

76. The question has been raised as to whether the Emporium should put its own clients into direct touch with the dealers or try to preserve a sort of monopoly. We consider that this is a matter which may well be left to the discretion of the department. The interests of the industry as a whole should be borne in mind; and if it is found that it would be to the advantage of both the consumer and the cottage worker, there is no reason why the two should not be put into direct touch with each other. Each case must be decided on its merits in the light of the reliability and capacity of the cottage industrialists and the local dealers concerned and the nature of the client or the

consumer ; greater caution will have to be exercised in this respect in the case of the foreign, than of the internal Indian, trade.

**Indian
Trade.**

77. In order to develop the trade in artware in India the Emporium has been advertising in a number of provincial papers and sending out catalogues. Agencies have been established at Darjeeling, Calcutta, Mussoorie and other places. Goods from the Emporium are being exhibited free of charge at the museums at Allahabad, Ahmedabad, and Poona, and some sales are also taking place there. Arrangements have been made with the provincial depots at Lahore and Patna to work as selling agents of the Emporium, the latter being their sole buying agency for this class of goods. It will thus be seen that a certain amount of useful work has already been done; but more is needed if the Indian trade in artware is to be properly developed. In particular, more agencies are required for the important towns. In these cases, as the selling of goods is the primary if not the sole object it is not necessary that the business should be carried on by Government themselves. But business in new centres may best be developed by first opening a shop as a branch of the Emporium, managed by one of its employees. After working it for a year or two, and when it has been thoroughly tried out and established, efforts should be made to hand it over to a private agency, under a suitable system of subsidy, as has been done at Mussoorie. Such a system will make it easier to get reliable local persons to take over the shop as a going concern and will also permit of the Emporium finding out the exact requirements of the market. The trade in art goods is so limited, that unless its possibilities are proved by means of a demonstration at the expense of the Government, ordinary business men might not find it sufficiently attractive and might hesitate to take it up.

**Foreign
Trade.**

78. The development of Indian trade alone will, however, not suffice. It is essential to make strenuous efforts to revive the foreign trade which of late has fallen off so considerably. All that has been done so far in this connexion is to issue a few advertisements in various foreign magazines, to send out illustrated catalogues showing prices in dollars, sterling and rupees, to forward exhibits to the Indian Trade Publicity Officer and take part in a few exhibitions overseas. No organized effort has been made along right lines to develop this trade. The present arrangements for publicity are insufficient to secure a market for provincial artware in foreign countries. Occasional participation in exhibitions is not enough and arrangements must be made for establishing a more lasting and intimate contact with foreign markets.

79. The first question that arises in this connexion, however, is whether in view of the prevailing economic depression there is any scope for the development of foreign trade. In April, 1932, the Advisory Committee of the Emporium expressed the view that "at present and apparently for some time to come it will not be advisable for the Emporium either to concentrate on building up a trade abroad or to devote any large portion of its energies to this pursuit, as conditions abroad are adverse, tariffs prohibitory, exchange in many cases very disadvantageous and sales at a stand-still." It is true that the demand for

artware goods has been considerably reduced, but inquiries in England by Mr. Duke when he was on leave there and from the Indian Trade Publicity Officer go to show that there is still considerable scope for trade, provided the articles are made in proper shapes and attractive designs and are supplied at suitable prices, and an organized effort is made to develop the work by establishing one or more local agencies.

80. We suggest that, to start with, a suitable agency should be established in London. It would be more convenient if a number of neighbouring provinces were to combine to maintain such an agency. A scheme for such work based on suggestions received from the Indian Trade Commissioner is enclosed as Appendix III. We recommend that some such scheme may be given a trial as an experimental measure for a period of, say, three years. Adequate security should be taken from the firm entrusted with the work, and due care and caution exercised when sending out articles on a consignment basis, the maximum value of the goods which may be so sent being fixed beforehand. If such an agency is established, it should obtain its supplies of articles from the United Provinces through the Emporium only, and should inform the latter of the shapes and designs required. It would only do wholesale work; the cost of maintaining a retail shop might prove prohibitive, and retail sale might also lead to complaints of interference in trade by retail dealers in London. This wholesale agency will adopt such methods of advertisement as it considers suitable for the trade. But its efforts must be supplemented by the Emporium continuing and expanding its present publicity and propaganda activities, by the issue of catalogues, bulletins and leaflets, by advertising in trade journals and also in the papers and booklets which are seen by tourists; by putting up show cases of samples on passenger ships, in big hotels, at railway stations, in the offices of tourist companies, etc.—provided, of course, this is permitted; and by continuing to take part in exhibitions.

81. These efforts will, however, not suffice unless the articles are felt to be reasonably worth the price charged for them. It is true that artware products are not governed by ordinary rules and often fetch fancy prices. But present market conditions demand that the prices should not be too high. According to the existing pricing system prescribed for the Emporium, the prices charged in foreign markets are substantially higher than the cost price in India. When trade is in a depressed state, a high level of prices makes business almost impossible. It is, therefore, suggested that foreign wholesale buyers should be charged only the actual price for the goods paid by the Emporium, plus out-of-pocket expenses, such as packing charges, freight, insurance, etc. and that a very small amount should be charged for profits, salary of staff, overhead charges, etc. This concession should be brought specially to the notice of foreign buyers. At the same time the Emporium should make a special point of sending out only goods of a high standard, so that its hall mark may serve as a guarantee of quality and in course of time may come to be recognized as such.

82. We believe that action along these lines will help in the development of trade abroad. But trade cannot be properly developed without personal contact, and it will help business materially if an attempt is made to introduce the goods in other countries by personal interviews. For this purpose we recommend that an officer should be sent on a tour to the United Kingdom and the Continent during the next summer and, later if necessary, to Canada, the United States of America, Australia, etc. The itinerary of the tour should be arranged in consultation with the High Commissioner; it will be an advantage if it can be made to fit in with important exhibitions and fairs. This officer should take with him representative sets of samples and catalogues. He should make a careful study of the important markets, find out the special requirements of each and the lines of goods which are most likely to be in demand there. He should establish contacts with important organizations and merchants who may be able to act later as correspondents for regularly supplying market reports and other information of interest to the trade in India; the Emporium may arrange to supply them with similar reports in return. He should look for reliable and influential parties who may be suitable for work as selling agents on behalf of the Emporium and obtain information as to the lines on which the agency business can be developed, leaving the exact terms of each agency to be settled later.

Organisa-
tion.

83. The existing organization of the Emporium may continue more or less as it is, but the increased activities proposed will necessitate some additions to the staff. The development of foreign and Indian trade along the lines suggested will mean that the Business Manager will have to do a great deal of touring. He will require a capable assistant who can be left in charge during his absence in addition to a craftsman designer. The advisability of giving the staff a small commission on sales may also be considered. Further, the Emporium will have to appoint some men to work as part-time commercial travellers on its behalf and pay them some allowances. When temporary branches are started, it will be necessary to appoint for each such branch one branch manager and one or more assistants and peons. Increased provision will also be required for contingencies commercial, operations, etc. A provisional revised budget of the Emporium is given in Table I of Appendix XIV.

B—Non-art products of cottage industries

84. So far, practically nothing has been done to help in the sale of non-art goods produced by cottage industrialists, although there are a number of such industries with appreciable potentialities which are in urgent need of State assistance with regard to marketing. By way of illustration may be mentioned the lock and hardware, the Moradabad plate and the brass-ware industries. By far the most important, however, is the handloom industry. There are a number of lines in which no question of competition between the mills and the handloom weavers arises; certain designs and patterns can be made and marketed by the handloom weavers more cheaply in the long run than by the mills, e.g. covers, curtains and table cloths. Cottage-workers should be taught to specialize in the manufacture of articles which do not compete with

factory products. These should then be standardized as far as possible, and a systematic effort made to evolve designs and patterns that are popular in the market.

85. There is not likely to be much of an export market for these articles, at least at present, and efforts will have to be concentrated on the development of the internal market. For this purpose it is necessary to bring to the notice of the public the nature of the articles made by cottage-workers. They should be advertised widely, catalogues should be issued where possible, and the articles popularized at exhibitions. This work obviously cannot be done by the cottage workers themselves and some sort of government organization is necessary to do it on their behalf. Such an organization should in addition be able to canvass orders on behalf of the cottage workers, and must, therefore, arrange to keep samples of standardized articles and bring them to the notice of consumers, so that the public may know what sort of goods are available and where. In other words, there should be a "commercial museum" run by Government to perform these functions on behalf of the cottage workers, acting like an altruistic wholesale agent on their behalf. As the articles will be standardized it will not be necessary for this organization to take up sales; it will suffice in their case to bring consumers into direct touch with the makers of these standardized articles. Moreover, the value of the products of handloom weavers alone runs into several lakhs and it would not be feasible or possible for Government to maintain an organization like the Emporium for helping more directly in the sale of the goods made. This organization may, however, be run either separately or in conjunction with the Emporium.

A Com-
mercial
Museum.

86. These efforts alone will meet with little success unless they are supplemented by an organization which would itself arrange to purchase the goods, or a portion thereof, for disposal. The weavers and other cottage workers are too poor to be able to hold on to their stocks; they must sell their products almost as soon as they are made, so that they may get money to manufacture more articles. Experiments have been tried in the Co-operative Department to induce them to deposit their manufactures with a sales organization on a sale and commission basis, but have not been successful mainly because of their need for immediate cash or financial accommodation. A government institution cannot carry stock of this kind. The alternative is to find reliable firms each of which would undertake to purchase a particular class or type of articles as soon as they are made and then market them. We suggest that if any such firm is forthcoming, it might, in the first instance, be given a suitable subsidy on a sliding scale depending on the value of the goods which it purchases.

Sole
buying
agent.

87. The buying agents would be under an obligation to purchase all the goods produced—provided, of course, they are up to standard—and not to make purchases of similar articles from others. The rates at which the finished goods will be purchased by them will have to be settled beforehand; arrangements for the purchase of the raw material required will have to be made at the same time, so that the manufacturers may not be adversely affected by fluctuations in the price of the raw materials used. Steps will have to be taken to ensure that the goods produced are not sold to any other agency.

An alternative is that the articles produced may be purchased by the buying agents, not at a price fixed in advance, but at a price which bears a definite relation to the ruling price of the yarn used. To start with, we suggest that a buying agent should be appointed for textiles; after gaining experience of the working of this system in the case of the products of handloom weavers, similar arrangements can be made for other cottage industries. As a sole buying agent for the products of all the weavers scattered over the province presupposes a strong organization of them, we recommend that, to begin with, this sole buying agent should confine his activities to articles made by co-operative societies of cottage weavers, which number about 40. These can be trained under proper guidance and supervision to manufacture articles up to a certain standard and in their case the price to be paid for the goods can be settled more easily and with greater fairness to both sides than in the case of unorganized weavers; the educative and propagandist value of the work done will thus be greater. Thereafter sole-buying agents may be appointed for dealing with articles produced by other workers.

C—The products of organized industries

88. The problem in connexion with the marketing of the products of organized industries differs from that of the disposal of the articles made by cottage workers in that standardization is much easier, and quality can, generally speaking, be guaranteed. But though these industries are organized for purposes of production, they are not always able to secure constant markets for their products. The larger factories are able to get over this difficulty to some extent as they can afford to carry stocks, hold up sales, or work on a commission basis as may be required; and generally they are able to have their own sole selling agents in most of the principal towns. But the problem of bringing the articles made in the United Provinces to the notice of consumers generally remains, especially in the case of the smaller concerns. These products are, no doubt, stocked by dealers in at least the more important towns, but a buyer does not always know where to get them.

89. What appears to be required, therefore, is an organization which would be able to bring U. P. products prominently to the notice of the consumers at large. For this purpose there should be a net-work of what may be called "U. P. Stores" in most of the large towns, where a buyer could go and confidently rely on being able to obtain genuine U. P. made goods. These "Stores" may work on a commission basis and should only sell articles made in the United Provinces bearing a guarantee of quality and place of manufacture; they should aim at stocking primarily articles of every day need so that they may be able to supply the normal requirements of local consumers. These "Stores" should be set up or recognized by a central organization which would treat them as its own agencies and supervise and control them. It will have to ensure that its agents are absolutely reliable; otherwise manufacturers would hesitate to deal with them. Large factories which wish to utilize the services of this organization and its agents should be at liberty to do so. Mr. Sinha is, however, of the opinion that this organization should not deal

with the products of large-scale textile factories. It must maintain a directory so that when an enquiry is received as to where a particular article of U. P. manufacture can be obtained, it may be able to supply the information at once. In addition to the establishment of fixed sale agencies in the larger towns it should employ commercial travellers who may carry samples and canvass orders in smaller places. This central organization may be known as the "United Provinces Marketing Association."

90. An institution of this kind must be non-official in character, though it will have to be aided by the State. It may be a joint-stock limited liability concern with a subsidized capital of say 5 lakhs, Government taking a fair proportion of the shares in order to create confidence in its reliability and having adequate representation on the directorate. Government may also assist in making enquiries about the reliability of the individuals or firms to whom agencies are to be given and of the commercial travellers it may have to appoint. Further, Government may, in the beginning, make suitable grants to meet the initial expense of preparing catalogues, issuing advertisements, etc. This Association would be a useful adjunct to the Department of Industries. We recommend that a scheme along some such lines should be worked out in detail.

D—Exhibitions

91. Participation in exhibitions should be of great advantage for all industries. The department has been participating in and assisting exhibitions and fairs to a considerable extent and such participation appears to have been generally appreciated. We would, however, like to point out that, if these exhibitions are to have a lasting effect, it is essential that the work done at an exhibition must be followed up. A report should be prepared about each exhibition summarising the results achieved from the industrial point of view; the popularity of the designs exhibited and the tastes and tendencies of the consumers as ascertained at these exhibitions should be noted and the information passed on to the Emporium and any other organization which is in touch with the manufacturers. Again, the aim of participation in an exhibition should not be merely to sell a few articles or secure a few orders, but to establish permanent trade connexions by getting into touch with potential buyers and making arrangements for the future. With a view to avoid the danger of the market being spoilt by the exhibition of trashy articles, or by sales either at cut-throat or unduly high prices, it is also essential to ensure that the department does not help manufacturers and dealers to obtain stall space at these exhibitions, without satisfying itself that they can be relied on to exhibit only articles of good quality and at fair prices.

92. These remarks apply still more strongly to overseas exhibitions and fairs. The selection of the classes of articles to be exhibited may have to be based on considerations not necessarily the same as in the case of fairs and exhibitions in India. But the need for following up the cues obtained and for establishing and maintaining permanent connexions is even greater. We need not dilate on the advantages of co-operating with the High Commissioner's office and with other provinces so as to combine economy with effective results.

A perma-
nent In-
dustries
Fair.

93. In this connexion we suggest that a permanent exhibition which may be called the Industries Fair should be established for the purpose of exhibiting samples of articles manufactured in the United Provinces. There appears to be need for a place where one might go and see a sample of the different kinds of articles produced in the province. It is hoped that the advertising value of such an organization will be recognized by the manufacturers who will supply samples free of cost but in the first instance some samples may have to be purchased. The cost would be small. This Industries Fair will be in the nature of a museum or exhibition, and quite different in its scope from the Emporium and the "Commercial Museum" which will be agencies for the marketing of the products of minor and cottage industries.

Conclusion

94. We may now sum up our proposals under this chapter. We attach very great importance to the proper development of marketing facilities especially for cottage industries. It seems to us that three different types of organization are required. For artware goods there should be a State-owned Emporium, working partly as a business concern, and partly with altruistic motives for the benefit of the cottage workers. It must devote special attention to the introduction of new shapes and designs and to seeing that articles are made according to specifications; it must employ reliable local agents for the latter, until the work can be taken over by co-operative societies. It must carry on propaganda by advertising widely, publishing directories, catalogues, bulletins, etc., exhibiting samples in show cases at railway stations, passenger ships, tourist offices, hotels, etc., by employing commercial travellers, by taking part in exhibitions, etc. It should pay special attention to the development of foreign trade, and should for this purpose appoint suitable agents there, lower its prices and establish personal contacts with local traders. While special attention should be paid to developing foreign business, Indian trade should not be neglected; in order to develop it, branches should be established at important centres all over India, which, after a year or two, may be handed over to private enterprise. For the marketing of the products of other industries which can to some extent be standardized, especially handloom textiles, we recommend that a commercial museum should be started, either in conjunction with the Emporium or otherwise, and a sole buying agency established for taking over in the first instance all the products of co-operative societies of cottage weavers and subsidised by Government. After gaining a little experience, this system of work may be extended to other industries. We have also outlined proposals for the establishment of a joint-stock corporation, which may be called the United Provinces Marketing Association, to tackle the problem of marketing the products of organized industries. This organization may be State-aided. Its main function will be to maintain a net-work of agencies, dealing in exclusively U. P. made articles on a commission basis, and employing commercial travellers for work in the smaller towns. This scheme should, however, be worked out in detail. As regards exhibitions we have suggested that particular attention should be paid to see that the experience and knowledge gained at them is not lost, and that participation especially in overseas exhibitions leads to the establishment of permanent trade connexions.

CHAPTER IV

UTILIZATION OF HYDRO-ELECTRIC POWER

95. Mr. Stampe has kindly furnished the Committee with a note, which is reproduced as Appendix II to this report, giving details of the Ganges Canal hydro-electric works completed up to date and also outlining the prospects of future expansion of the grid scheme, which is expected to lead to the further cheapening of hydro-electric power especially for agricultural purposes. It will be seen from this note that the recent harnessing of the water power on the Ganges Canal falls has enabled the western parts of these provinces—comprising seven complete revenue districts, viz Saharanpur, Muzaffarnagar, Meerut, Bulandshahr, Aligarh, Moradabad and Bijnor, with an area of 11,000 square miles—to derive the benefits of cheap electric energy for domestic as well as for industrial and agricultural purposes. Only four out of ten falls on this canal have so far been electrified, yielding 8,900 kilowatts or, say, 11,000 H. P. For the distribution of this energy a net-work of 960 miles of high tension lines and 106 sub-stations have been constructed in addition to 120 miles of local farm branch lines to supply power to 110 rural sub-stations. In the area covered by the grid system 69 towns with a population of 5,000 and over have been energised.

Hydel
scheme.

96. The Irrigation Department supplies electrical power in bulk to licensees who distribute it under certain conditions of supply. The retail rate for lights and fans is 5 annas 6 pies per unit as compared with 6 annas and 7 annas per unit charged in most of the non-grid electrified towns. This rate applies to all the towns and villages in the grid area irrespective of their size and location, and but for this scheme most of these places would, in all probability, have had to go without electricity for several decades.

Tariff rates
for domestic
use.

97. For industrial purposes power is supplied on three different tariffs. Originally a flat rate of 1 anna 6 pies per unit was charged. Two years ago the Irrigation Department offered, as an alternative, a sliding-scale industrial tariff based on the relation of units consumed to horse power connected. Its introduction has enabled several factories to be connected, as for instance the Strawboard Factory at Saharanpur, to which 170 horse power is retailed at a rate of 5.1 pies per unit, and oil extracting mills at Hapur and Hathras, to which energy is being sold at approximately 7.2 pies per unit. As a third alternative a two-part industrial tariff has recently been introduced, according to which a monthly charge of Rs. 6 per H. P. connected is made *plus* a flat rate of 6 pies per unit. This tariff enables a seasonal consumer to avail himself of reduced rates on the consumption of a few months instead of that of the whole year. We understand that under this tariff a rice hulling mill, working about 16 hours a day during the season, can get power at about 9.8 pies per unit; a sugar centrifugal and crusher, working the same number of hours per day, at the same rate; a cotton ginning mill, working about 20 hours a day, at 9.1 pies; and a flour mill, working 10 hours a day, at 12.2 pies; as against 18 pies per unit on the flat rate system.

Tariff for
industrial
purposes.

**Tariff for
agricultural
purposes.**

98. For agricultural purposes power is supplied at a flat rate of 1 anna per unit or 9 pies per horse power per hour. This rate is said to be as low as any in the world for isolated rural consumers with small installations scattered over a wide area irrespective of the distance from the source of supply. It is on these scattered consumers that the grid scheme confers its greatest benefit, not only for domestic purposes but also for the development of agriculture. This cheap rate is also important from the industrial point of view, as it can lead to the establishment of various cottage and other subsidiary industries such as ginning, oil pressing, handlooms, and manufacture of sugar and manure.

**reduction of
ariff.**

99. The Irrigation Department estimates that the present rates can be further reduced by about 25 per cent. if the six falls on the Ganges Canal which have not yet been harnessed are also developed so as to make additional power to the extent of 38,000 H. P. available, provided the benefits of the reduced production costs are given to the consumers instead of going to the provincial revenues. The advisability of undertaking the electrification of the remaining falls with this object may be considered when the development of load on the grid warrants such a step.

**Scope for
further
reduction.**

100. The differential rates introduced by the sliding scale for small and big consumers may be justifiable on strict commercial considerations. But, since the hydro-electric scheme is planned, financed and operated by Government, we consider it advisable that the Irrigation Department should explore the possibilities of narrowing down the difference between the two scales in favour of the small industries such as metal polishing, electroplating, leather and wood working, cotton and wool spinning, handloom weaving, etc. Government are taking action through the Industries, Co-operative and other departments to encourage small cottage industries of these types, and it would only be carrying this policy a little farther if the hydro-electric branch could see its way to placing them on the same level as the big industries in the matter of power rates. We understand that in many countries e.g., Japan, Switzerland, Germany, France, etc., the State pursues a similar policy in relation to electrical energy for cottage industries.

**Consump-
tion.**

101. That the rural public finds it profitable to use hydro-electric power is borne out by its rapidly increasing consumption in the rural areas. In March, 1931, there were 38 consumers with a connected load of 644 H. P. on 67 miles of branch lines, whilst by March, 1934, 140 consumers with a connected load of 2,500 H. P. will have been connected on 120 miles of lines. In spite of the prevailing depression the consumption in units is expected to be 800,000 during the current year. In urban areas also, the increase that has taken place is considered satisfactory. In March, 1931, the total connected load for 127 small industrial motors was 1,330 H. P. which increased to 3,500 H. P. for 397 motors in 1932 and to 5,400 H. P. for 692 motors in 1933.

**Agricultural
connections.**

102. In the rural areas, power at the one anna per unit, or even a lower, rate should result in the development of certain agricultural processes hitherto beyond the reach of the rural population. The cheapness and flexibility of grid power have already secured a wide extension of commercial irrigation from tube-wells, both private and State-owned; there are at present 75 State tube-wells and 110 private wells

which have been electrified yielding 150 cusecs of water ; in addition, four riverpumping stations have been established on the Ramganga, Kali and Gangan rivers, which utilize 2,200 H. P. and pump 400 cusecs. Thus the way has been opened for agricultural development, and this should in turn further stimulate the development of both urban and rural industries as well as of irrigation.

103. The principal industries which have so far utilized hydro-electric power are as follows :

(a) *Flour mills*—270 mill motors having a connected load of 2,670 H. P.

(b) *Brass polishing*—22 installations of 99 H. P. in Moradabad and 20 installations of 135 H. P. in Aligarh.

(c) *Cotton ginning*—12 installations of 384 H. P.

(d) *Sugar processing*—104 small crushing plants and centrifugals of 600 H. P. These installations are said to be increasing rapidly. As regards the large steam-driven sugar factories, 7 out of the 9 working in the grid area have installed about 250 H. P. or hydro-power for lighting, pumping and driving centrifugals in the non-crushing season. The possibility of using hydro-power for medium-sized factories is being investigated in an experimental 50-ton vacuum-pan installation in the Bijnor District.

(e) *Manufacture of artificial fertilizers*—The question of utilizing power for this industry, especially in the tubewell areas, is under consideration. It is calculated that current can be supplied for this purpose during the months of July to October at 9 pies per unit.

104. We have in a general way examined the difficulties and obstacles in the way of a rapid utilization of hydro-electric power for industrial purposes.

(a) The main obstacle—that of ignorance and inertia on the part of the more illiterate consumers—has to a large extent been overcome by means for practical demonstrations, show rooms and propaganda carried on by the Irrigation Department through its development division. We feel, however, that the need still exists for further and more intensive propaganda to demonstrate the uses and economics of power for urban industries such as cotton ginning, oil pressing, metal polishing, electroplating, and wood lathes.

(b) Another difficulty which has been mentioned as hindering the development of industrial consumption is the non-availability of suitable machinery. This, however, is decreasing as several electric firms in India have opened agencies in the grid area for various types of machinery such as flour mills, cotton gins, and sugar centrifugals. The main deficiency is as regards the small cane-crusher and we understand that the Sugar Technologist to the Imperial Council of Agricultural Research is experimenting with certain types and it is hoped that a fully tested type will be placed on the market in due course.

(c) Yet another difficulty is the lack of suitable "maintenance and repairs" services. We are assured that this has not been experienced to any considerable extent and that repair agencies have already become spontaneously established in the larger towns in the grid area.

As in the case of all new enterprises, electrification is creating its own agencies for "supply and service" in relation to electrical machinery, and no special Government or aided organization appears to be necessary for this purpose.

(d) The system of measurement of power by the meter has also been considered to be a difficulty. We are informed, however, that although there were 6,870 consumer's meters operating in the grid area in March, 1933, report received from the various licensees show that the percentage of complaints against bills computed by meters is negligible. It appears, therefore, that consumers understand the meter system and there is thus no real grievance on this account in the United Provinces.

(e) The complaint of unwillingness on the part of licensees to connect small loads does not appear to be justified, as out of 635 private motor consumers in the grid area 520, or 82 per cent., have installations not exceeding 10 horse power. The low tension distribution lines of the licensees in the towns have, it is said, been laid down more with a view to the development of a large number of minor loads than to the supply of large blocks of power. The position may, however, be watched and surveyed from time to time.

(f) Some of the terms of the licence in favour of distributors do not appear to be quite suitable. Thus, in one case to which our attention has been drawn, the licensees are charging at six annas per unit for lighting within the two rooms in which the plant is being operated. Lighting of a factory is, however, generally treated as quite distinct from domestic lighting and in fact as an industrial use of energy. We are told that it is difficult to remedy this by legal action within the terms of the licence. Even so we think that efforts should be made to remove this and similar lacunae by amicable agreement and that such questions should be kept in mind when licences are given out in future.

105. In conclusion it may be said that the power supplied by the hydro-electric scheme for small installations is cheap in comparison with electric power in other towns in these provinces situated outside the grid area. We are satisfied that there is considerable scope for the increased use of electricity, whether generated by water or otherwise, for industrial purposes such as cotton gins, cane-crushers, sugar centrifugals, oil extraction, flour milling, ice making, brass polishing, electroplating wood lathes, and hand looms. The introduction of the sliding scale industrial tariff based on load factor, as well as of the two-part tariff which is especially applicable to seasonal industries should stimulate the further utilization of electric power for industries. But the essential condition in the demand for these purposes must be the cost of electric power compared with that of manual labour or other forms of mechanical drive, in relation to the outturn and the disposal of the goods made. We consider it advisable to reduce as far as possible the tariff rate for small industries, particularly those which use motors of 2 horse power or less, and suggest that the possibility of doing so may be explored by the Irrigation Department. We do not regard most of the difficulties urged against the use of electric power to be serious and consider that they will disappear in

due course. We recommend, however, that practical demonstration and propaganda should be continued and steps taken in close co-operation between the Irrigation, Industries, Agriculture and Co-operative Departments to make the economics of the electric drive more widely known to the general public, both urban and rural. For this purpose detailed schemes for specific industries should be drawn up by the Irrigation and Industries Departments in consultation with each other, showing the capital cost, the probable running expenses and the estimated expenditure on raw material and income from the sale of the articles produced. There will have to be different schemes to suit the local conditions in each place. When issuing such schemes, it should be made clear that the profits estimated are purely hypothetical, and will vary considerably in accordance with market conditions, efficiency of output and other changing factors. One such typical scheme is printed as Appendix IV.

Finally we emphasize the importance of increasing the facilities for the purchase of electrically driven machinery by means of a generous system of *tagavis*, small industrial loans and other advances.



CHAPTER V

PROVISION OF FINANCE OR RENDERING OF

FINANCIAL AID

106. There is a feeling in many quarters that lack of capital and especially of financial accommodation is among the principal factors hampering India's industrial development. Money may be required by industries for one or more of the following objects, viz.

- (a) the block account, i.e., for machinery, site, buildings, fixtures, etc.,
- (b) working expenses, i.e. for purchase of raw materials, costs of manufacture, etc.,
- (c) marketing the articles manufactured, and
- (d) replacement, reorganisation or expansion.

Ordinary commercial banks are, from the very nature of their resources, precluded from investigating their money with industrial concerns, especially for, or on the security of, the "block." Private capitalists are also shy of coming to the help of actual or prospective industrialists, when it is not definitely known that the business propositions put up are sound. Hence a demand has arisen that the state should fill the gap and supply, or help in supplying, the necessary industrial finance on suitable terms and conditions; state action in this direction has been found necessary in many other countries and has helped very appreciably in their industrial development.

107. Direct financial assistance by the State may, subject to certain conditions, take one or more of several forms, such as—

- (A) Loans which may be advanced by Government itself, or by some bank or corporation having Government backing in some form.
- (B) A guarantee by the State of the cash credit allowed by a bank.
- (C) Supply of machinery on the hire purchase system.
- (D) Subscription to share capital.
- (E) A guarantee of dividends on shares.
- (F) A direct grant or subsidy to help in the purchase of machinery or to enable dividends to be paid; such grants may be either lump sum payments or may be in the nature of bounties on the basis of the value of articles produced, sold or exported.
- (G) A grant in kind in the shape of land, buildings, plant, machinery or other equipment, raw materials, firewood, water, etc.—free or on favourable terms.

(H) A guarantee for the purchase of a part of the products, generally for State requirements.

Each of these will be considered separately. In addition help may be given indirectly in other ways such as reduction of freights, imposition of tariffs, etc. which, though they have a great and important bearing on the development of industries are outside the purview of the local Government. Indirect assistance may, however, be given by the latter in the shape of exemption from taxes such as octroi, the loan of experts, etc.

A(4)—Loans to Industries

108. The Industrial Conference of 1907 did not recommend loans to individual industrialists. In 1914, however, a committee consisting of Messrs. Hailey, Chatterjee and Burt recommended that Government should aid banking institutions and something of the nature of an industrial bank should be started for giving loans to industrialists. The Indian Industrial Commission of 1916-18 found that "generally speaking, the existing banking system was too inelastic and insufficient to meet the needs of the country and that development (in respect of industries) was greatly retarded because the banks refused to advance money for lengthy periods on the security of buildings and plant." They did not support the formation of an industrial trust or financial corporation, but were apparently in favour of industrial banks, though in the absence of suitable material they could not formulate a definite scheme for the purpose and recommended the formation of an expert committee to put up concrete proposals. Meanwhile "Industries" became a provincial (transferred) subjects. The Sir Thomas Smith Committee appointed in the United Provinces in 1922 considered that it did not have sufficient details before it to warrant a recommendation to establish an industrial bank, and pointed out that owing to scarcity of money such a bank would not be able to lend at below 12 per cent. It recommended that Government themselves should, advance money for pioneer industries and to small industrialists through a Board of Loan Commissioners. This was accepted by Government and a Board was duly constituted with liberty to receive applications for loans from all classes of individuals or corporations engaged in industrial development—whether pioneer or not; Government could not legally empower the Board to sanction loans, but gave an assurance that in most cases the recommendations of the Board would be accepted without much further scrutiny. These decisions were endorsed by the Burn Committee in 1924. The Provincial Banking Inquiry Committee in 1930 recommended an industrial bank, but the majority of the Central Committee took a different view and recommended the establishment of provincial financing corporations instead.

109. Thus the present position is that such loans as are advanced are still given by Government on the advice of the Board of Loan Commissioners. The following statement shows the amounts of loans actually advanced from year to year and the budget provision for the same, while Appendix V gives complete information about all the loans advanced :

Table showing the budget provision for and amount actually advanced as Industrial Loans for the year 1921-22 to 1933-34

In thousand rupees

Year	General loans			Loans to co-operative banks		Loans to ex-students		Total	
	Budget provision	Amount actually advanced		Budget provision	Amount actually advanced	Budget provision	Amount actually advanced	Budget provision	Amount actually advanced
		Over 10,000	Up to 10,000						
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Up to 1920-21 ..	..	86,	Nil	Nil	Nil	Nil	Nil	..	86,
1921-22 ..	..	Nil	Nil	Nil	Nil	Nil	3	Nil	3
1922-23 ..	5,00,	11,12,	Nil	Nil	Nil	5,	Nil	5,05,	11,12,
1923-24 ..	2,00,	Nil	Nil	Nil	Nil	1,	Nil	2,01,	Nil
1924-25 ..	2,00,	1,42,	Nil	20,	14,	1,	Nil	2,21,	1,06,
1925-26 ..	1,00,	80,	7,	20,	19,	1,	7	1,21,	1,56,
1926-27 ..	1,00,	Nil	Nil	20,	7,	1,	1,	1,21,	8,
1927-28 ..	45,	40,	5,	20,	20,	1,	Nil	66,	65,
1928-29 ..	90,	40,	Nil	10,	Nil	1,	Nil	1,01,	40,
1929-30 ..	90,	Nil	Nil	10,	Nil	1,	Nil	1,01,	Nil
1930-31 ..	50,	15,	6,	5,	Nil	1,	6	56,	21.6
1931-32 ..	30,	Nil	18,	5,	5,	1,	9	86,	23.9
1932-33 ..	20,	Nil	Nil	5,	Nil	1,	Nil	26,	Nil
1933-34 ..	15,	Nil	Nil	5,	Nil	1,	Nil	21,	Nil
Total for (13 years):	..	11	6	..	11	..	7	..	35
(a) Number	..	15.15	86	1.23	65	1.16	035	..	16.195
(b) Amount in lakhs.	..	11	6	1.23	65	1.16	035	..	16.195

It will be seen that a total sum of Rs.15.15 lakhs has so far been advanced in the shape of large loans (i.e. exceeding Rs.10,000 each), out of which Rs.8.74 lakhs—exclusive of interest in most cases—have had to be written off as irrecoverable, while of the balance still due of Rs.1.34 lakhs, over eighty thousand are overdue, i.e. should have been paid by now, but have not been paid. Experience in connexion with the smaller loans (of Rs.10,000 or less) has been more satisfactory, and out of Rs.36,000 advanced only Rs.1,714 have had to be written off. It will be seen from Table II of Appendix V that the sugar, flour-milling and glass industries secured the largest amounts, while other industries for which loans were granted were type-casting, match, printing ink, brassware, jam-making and fruit canning, manufacture of disinfectants, manufacture of bobbins, metochina, tanning, and the manufacture of dyes, and tanning extract from catechu. It is partly owing to the fact that so many of these loans have been unsuccessful and partly due to financial stringency that, excepting one loan of Rs.15,000 advanced in 1930-31, no large loans have been advanced in the last four years.

110. It may fairly be said that whereas the smaller loans have been reasonably successful, the larger ones have been a failure; they have involved Government in considerable loss and, except perhaps

in the case of the glass industry, have failed to assist the industry concerned to any material extent. The main reason for this appears to be that Government does not possess banking experts, and considerations other than those of pure banking have often to be taken into account when advancing loans for industrial purposes. The Board of Loan Commissioners has to work under several disabilities. It cannot examine applications with the same care or thoroughness as a bank or banking corporation; it can only meet once in a way and has to depend almost entirely on the reports submitted to it; and these reports are not always accurate and reliable, especially as regards the value of the security offered which has to be estimated by a staff—whether the ordinary district staff or departmental—which is not trained for such work. Again, ordinary industrialists who are in a position to offer good security naturally find it more convenient to obtain loans from banks, and, speaking generally, it is only those who cannot get such loans who apply to the Board of Loan Commissioners. Moreover, the publicity given and the detailed inquiries by subordinate officials often put off industrialists, while they get tired of the delays that take place. In a few cases the applicants had actually to refuse the loans after they were sanctioned as they had made other arrangements in the meanwhile. Further, there is a tendency on the part of many applicants for State loans to regard them more as grants than as purely financial transactions, and applications have even been made for money to repay old loans. About a hundred applications had to be rejected by the Board and this has not added to the popularity of this system of advancing loans.

111. The conclusion that emerges from this study is that Government should continue to advance loans to smaller industrialists, but not to the bigger ones. For the former, it is not necessary to have a Board of Loan Commissioners, and loans can be advanced on the recommendation of the Board of Industries, which meets more frequently. If possible, the power to grant loans up to a certain amount may be delegated to the Director of Industries, so that there may be no division of responsibility and less delay. We do not consider that the State should advance large loans, and, therefore, recommend that the Board of Loan Commissioners may be dissolved.

Small loans

112. The question then arises as to how the financial needs of the bigger industrialists are to be met. We do not accept the view that they do not stand in need of financial assistance and can get all they require from the existing banks. As State-aid should not be denied to large-scale industries, we have examined several alternatives for supplying the finance needed by big industries. There is the possibility of Government helping an existing commercial bank to establish an industrial section for advancing such loans; or again a separate industrial bank may be started; or a financing corporation may be established.

Large loans

113. The first of these alternatives was suggested in 1929 by an expert committee presided over by Sir Brajendra Nath Seal for the Mysore State. The scheme is that the State bank should establish a separate section for the supply of long-term credit to industrialists

Industrial section of a commercial bank.

on the recommendation of a statutory board; Government should advance a certain sum to the bank at a low rate of interest, to be earmarked and utilized for financial accommodation to industries. This amount would serve as a guarantee by the State. The bank would, of course, be free to make other advances as well. The Government should assist the bank in making the necessary inquiries about the suitability of the applicants and the sufficiency of the security offered by them, and the bank would have the advice of a statutory board having a few Government representatives thereon. The ultimate responsibility for the sanctioning of the loan should, however, be that of the bank. This industrial loan section of the bank should be worked as a detachable branch, which in course of time might form the nucleus of an independent industrial bank. We see one serious difficulty in this scheme. The establishment of such a detachable branch may be feasible in an Indian State which has its own State bank; it is doubtful whether any of the existing commercial banks carrying on business in this province would be willing to take up a scheme of this kind. Nevertheless, the possibility of making arrangements with a commercial bank for this purpose may be explored.

114. An industrial bank which has to depend primarily on short-term deposits is obviously unsuited for financing industry, especially as regards block capital, and we do not, therefore, consider the establishment of an industrial bank feasible at present. A financial corporation, however, which works mainly with its share capital, and debentures and does not raise short-term deposits, may be able to meet the needs of industrialists to some extent. The constitution of such a corporation has been discussed in detail by the Central Banking Inquiry Committee in paragraphs 401 to 408 of its report. Government would have to help such a corporation by taking shares in it or by taking up debentures issued by it or by guaranteeing the principal or giving a guarantee for the payment of dividends, and so on; they would have to be adequately represented on the board of directors, which should carry on the work without having any "managing agents." The corporation would advance money on the security of the block account of an industrial concern and in addition take some collateral security in the shape of other landed or house property. It might insist on having a voice in the management of the business to which it advances loans and might have to appoint a suitable inspecting staff to keep itself fully informed of the state of affairs. In view of the fact that the share capital would not suffice to help more than a very few concerns, the corporation would have to arrange to borrow money from ordinary commercial banks on the security of the corporation itself and of the assets of the borrowing concerns.

115. We consider that a financing corporation along some such lines is desirable for the province. But we do not consider ourselves competent to advise Government as to the precise lines on which such a corporation should be formed and run, or the exact form in which Government should assist it. We recommend that a committee of banking and commercial experts should be set up to examine the alternatives and make suitable suggestions.

A (ii)—Loans to Co-operative Societies

116. The Naini Tal Conference of 1907 suggested that Government should advance loans to co-operative societies of artisans just as they do to societies of cultivators. The Smith Committee of 1922 by a majority recommended that co-operative societies and banks should stand on their own feet and need not receive loans from Government. Government, however, decided that non-agricultural co-operative societies should be eligible for loans from the Board of Loan Commissioners. From 1924-25 onwards, a small sum has been placed every year at the joint disposal of the Director of Industries and the Registrar of Co-operative Societies, to be utilized for advances to co-operative banks, which would in turn give loans to societies of cottage industrialists.

117. As a result of this arrangement, Rs.65,000 have been advanced by Government to co-operative banks for cottage industries, such as brassware, durrie-making, etc. Only Rs.4,500 out of a loan of Rs.5,000 have so far had to be written off as irrecoverable. It cannot, however, be said that these loans have appreciably helped the development of industrial societies. Co-operative banks have in the past been able to raise deposits at rates lower than those they had to pay Government for these loans; naturally, therefore, they did not often find it necessary to apply to Government. Moreover, under this system the bank has to take the whole risk of making these advances and to act as a buffer between Government and the societies. The Kashi Bank which tried to help cottage industrialists lost several thousand rupees in the process and few banks have a desire to follow in its train. We suggest that Government should consider the advisability of shouldering at least a part of the risk, instead of leaving it all to the banks. The money should be advanced at as low a rate of interest as possible, if pioneer work in connexion with the organization of cottage industrialists is to be carried on successfully.

A (iii)—Loans to ex-students

118. Loans can be advanced by Government to ex-students of technical and industrial schools who are desirous of setting up in their own business, for the purchase of the necessary equipment. The total budget provision for this purpose has hitherto been only Rs.1,000 a year, but the greater part of this has remained unutilized the total amount actually advanced so far being only Rs.3,500. It is said that this is due to the inflexibility and stringency of some of the rules and the fact that the maximum amount that may be advanced to a student is only Rs.600. We understand, however, that the rules are being revised and the procedure simplified. We doubt if these measures alone will suffice and surmise that the real difficulty is that, generally speaking, ex-students are not desirous of setting up in business, nor are they properly trained to that end. We consider it necessary that suitable measures (to be discussed in a separate chapter) should be adopted to encourage them to set up in their own business; these should be supplemented by a revision

of the rules where necessary and raising of the maximum limits of the loans. The provision of these facilities should also be made known to the students of all institutions.

B—A guarantee of cash credits

119. An alternative to the system of Government granting loans is to encourage banks to do so by Government guaranteeing to them a part of the loan. This renders Government liable to a certain extent for loss, but does not commit them to any immediate expenditure. This is particularly suitable for a time when Government have not got the necessary cash. The disadvantage, however, is that they do not know when they may be called upon to face the liability they have undertaken ; it can also be urged with some force that it is not quite fair that the bank should take all the profits, when the State takes most of the risks. A system of guarantees would appear to be more suitable in the case of cash credits required by industrialists for their working capital, than for money required for the "block." We recommend, however, that the views of the expert committee referred to in paragraph 115 may be asked for in connexion with this suggestion also.

C—The Hire Purchase System

120. Many industrialists find it difficult to pay in cash for the machinery they require. They are sometimes able to arrange for payment by instalments, but in such cases they have often to pay an unduly high price for the machinery ordered. It seems possible that if Government could purchase the machinery outright and then give it to the industrialists concerned on the hire purchase system, it might be of substantial assistance to them. We understand that the system has been tried in Bihar and Orissa and in the Mysore State and that no serious difficulties have been experienced. We suggest that the feasibility of supplying machinery on the hire purchase system, either directly by Government or through an industrial financing corporation, if and when one is formed, may be further explored.

121. An objection has been taken in some quarters that, if Government were to take up this work, it would be competing with private enterprise. We, however, do not see any appreciable difference between Government advancing a loan for the purchase of machinery and Government purchasing the machinery themselves and giving it out on the hire purchase system ; in both cases the money is recovered by regular and suitable instalments and the only difference is that in one case the machinery is mortgaged to Government and in the other it remains the property of Government till the last instalment is paid. Personal and collateral security is taken in both cases. It is true that there are some firms which carry on this business and supply machinery on the hire purchase system ; but they find it difficult to obtain and gauge correctly the value of the security offered and have therefore, to safeguard themselves by charging very high rates ; nor can they meet all the requirements of industrialists. There would appear to be scope for work in this direction both by them and by Government.

*D—Taking shares in Industrial concerns
and*

E—Guaranteeing dividends

122. Assistance may be given by Government to industries by subscribing to the share capital of an industrial concern or guaranteeing dividends. Such action would encourage private capital to come forward. Of course in such cases Government would have to see that the affairs are properly managed; they may have some representation on the board of directors, and have their own men for inspecting and auditing the accounts. We consider that these methods of encouragement may be adopted in special cases and particularly for pioneer industries.

F—Money Grants

123. The Naini Tal Conference of 1907 recommended that Government might make money grants for definite purposes to new enterprises if the result of such action was likely to be of general industrial advantage. Prior to 1921 all grants used to be given directly by Government—usually on the recommendation of the Board of Industries. Since then, however, Government have been placing a certain sum varying between Rs.15,000 and Rs.35,000 at the disposal of the Board of Industries, and the Board itself makes the grants. Appendix VI shows the budget allotments for, and the amounts actually spent on, these grants since 1921-22.

124. These grants have been given to numerous industries and for various purposes, such as—

- (1) Manufacture of angle-iron, rivets, and bolts at Cawnpore.
- (2) Manufacture of electrical goods, fountain pens, gramophones, fancy laces, and the utilization of electricity for power looms on a small scale, at Dayalbagh, Agra.
- (3) Manufacture of electric fans at Cawnpore.
- (4) Improvement of dyeing processes for Agra durries, and the greater utilization of fast dyestuffs.
- (5) Manufacture of pencils and crayons at Agra. Grants have also been given for technical and industrial education. On the whole it may be said that these grants have served a useful purpose and have helped a number of small industries, but no very striking development has taken place; this is not surprising considering the circumstances and the small amounts at the disposal of the Board.

125. We realize that this system of grants may not be altogether suitable for big industries, but we recommend that it should continue and should be expanded when financial conditions permit. The scope of the grants may include not only assistance to "new industries" but "such other objects and purposes as might, in the opinion of the Board, contribute towards the industrial development of the province"; in particular, grants may be given for assistance in the marketing of the products and in experimental or research schemes; but the Board should not give grants to educational institutions. We may point out that a closer watch should be exercised by the Board over utilization of the grants, and that the grantees should

normally be expected to find an equivalent amount from their own pockets. A suitable sum should also be placed at the disposal of the Director of Industries, from which he may make grants for experimental or research work at educational institutions.

G—Grants in Kind

126. In special cases where this is feasible, Government may help industries not by giving money grants but by providing equivalent facilities. For instance, it may help to provide land, buildings, plant, machinery or other equipment at a low cost; or it may help in the acquisition of land for an industry; or it may provide facilities for obtaining or itself supply the raw materials required by an industry in certain cases, e.g. wood from Government forests or water from canals, etc. Again, Government may place the services of its employees at the disposal of an industrialist for a limited period to help him in carrying out research, etc. All such cases must, however, be decided on their merits, and no rules can be laid down or specific recommendations made about such matters.

H—Guarantee of purchase of produce

127. As one of the chief financial difficulties of an industrial concern, especially a pioneer one, relates to the marketing of its products, Government would be able to give considerable assistance if it could guarantee to take over a portion of the produce, provided of course it was up to a certain standard and was required by Government. This would be an indirect form of subsidy. The Mysore State has recently introduced a scheme for helping handloom weavers to market their products, not by making purchases itself but by subsidising private concerns to do so. Selected dealers have to undertake to purchase a certain amount of the cloth produced by cottage weavers. These dealers are advanced money at low rates of interest by the Director of Industries, acting on the advice of a committee, on their personal security and on that of the goods which have to be warehoused in the State bank; for this purpose a suitable sum is placed with the State bank which can be drawn upon by the Director of Industries, the bank getting a commission of 1 per cent. on the loans so advanced in addition to its out-of-pocket expenses for warehousing the goods taken as security. Thus traders or merchants are subsidised, so that they may be able to give a guarantee to the cottage workers that they will purchase their products. The possibility of adopting some such scheme may also be examined by the expert committee referred to in paragraph 115.

J—Indirect financial assistance

128. There are various ways of giving indirect financial assistance to industries. Some of them such as the imposition of tariffs and reduction of railway freights are beyond the purview of this committee, as they are not within the competence of the local Government; such matters should be brought to the notice of the Central Government as occasion requires. The question of granting, in special cases, exemption from certain hampering taxes such as

octroi may well be considered. Each case in which it is found that a particular tax is damaging a local industry would have to be decided on its merits. Other forms of indirect financial assistance, e.g. experimental and research work, the supply of commercial intelligence, help in marketing, etc. have been dealt with in the relevant connexions.

Conclusion

129. We regret that we have not been able to put forward definite schemes for giving financial assistance to industries, but we have made various tentative proposals, which may be examined by a suitable committee of commercial and banking experts in order to draw up detailed schemes. We consider that loans are needed both by big and by small industries. For the latter we suggest that Government may continue to advance loans of Rs.10,000 or less on the recommendation of the Board of Industries and that some powers to sanction such loans may, if possible, be delegated to the Director of Industries. We further recommend that Government should not themselves advance larger loans but should help in the establishment of a financing corporation or an industrial branch of a commercial bank for dealing with such loans. The Board of Loan Commissioners would have to be abolished. Loans to co-operative societies and to ex-students of industrial schools should, with a few alterations in the rules, continue. The advice of the committee of experts should be obtained as regards other forms of financial aid, such as a guarantee by Government to a bank of loans given by the latter to industrial concerns, the supply of machinery on the hire purchase system by Government, the purchase of shares by Government in industrial concerns, a Government guarantee of dividends on shares, and the conditions on which Government may give directly or indirectly help in guaranteeing the sale of a portion of the products. The advisability of giving relief by remitting octroi or other taxes in special cases or the supply by Government of land, raw materials, water, etc., free or at favourable rates must be considered and decided by Government in each individual case. Ordinary grants by the Board of Industries should continue and the scope of its activities expanded, so that it may be able to give grants and subsidies for all industries which need them and not merely for pioneer or experimental work; it should also be empowered to make grants for experimental or research schemes. A suitable sum should also be placed at the disposal of the Director of Industries for grants for experimental or research work to be undertaken by educational institutions.

CHAPTER VI

STORES PURCHASE DEPARTMENT

Organisa-
tion and
cost.

130. The Stores Purchase Department was established in 1921 as an experimental measure. On the recommendation of the Burn Committee, it was made permanent with effect from April, 1926. The special staff then consisted of a Deputy Director (Rs.1,000—Rs.1,500), nine clerks and three peons; the posts of Assistant Stores Purchase Officer and two peons were created in 1928. In 1931, the posts of Deputy Director, a clerk and a peon were abolished and the expenditure was brought down from over Rs.30,000 to under Rs.15,000.

131. The heads of the Textile School, Cawnpore, the Leather Working School, Cawnpore, and the Central Wood-Working Institute, Bareilly, act as textile, leather and wood-work experts respectively. In this capacity, they inspect the classes of stores that concern them; they are also expected to draw up specifications, advise the department about substitution, standardization and other modes of effecting economy, and the utilization of Government's own factories. The textile and the leather experts are given special pays of Rs.50 and Rs.20 respectively, and the wood-working expert is given a compensatory allowance of Rs.27 per mensem.

132. The following table shows the value of purchases made through the agency of, and the expenditure on, this department during the last five years :

Year	1926-29	1929-30	1930-31	1931-32	1932-33
Total value of purchases (in thousands of rupees).	33,45,	30,44,	31,42,	15,71,	16,38,
Value of Indian articles (in thousands of rupees)—					
(a) Total ..	23,81,	19,03,	22,69,	10,83,	13,61,
(b) Those made in the United Provinces.	12,24,	10,78,	11,82,	7,34,	6,53
Percentage ratio of purchase of Indian articles—					
Total—(a) All-India	71.18	62.53	72.2	68.97	83.11
(b) U. P. articles	36.6	35.4	37.9	46.7	40.1
Actual expenditure ..	39,269	31,213	32,630	30,590	14,741
Percentage ratio of expenditure to total value of purchases.	1.17	1.03	1.04	*1.95	0.90

It will be seen that the normal incidence of expenditure to the value of business has been a little over one per cent. (For the sake of comparison, it may be noted here that the Indian Stores Department charges one per cent. for purchase and one per cent. for inspection.)

bjects

133. The department was set up to give effect to two main objects, viz. (a) Economy, and (b) Substitution.

*Due to financial stringency and consequent reduction of purchases.

Its objects may be clearly restated as follows :

(a) To effect, in regard to the purchase of stores required for the use of the United Provinces Government, all practicable substitution of articles made in India (and particularly those made in the United Provinces) for imported ones as a measure of State encouragement to indigenous industries.

(b) To effect economy by (i) prescribing suitable specifications, (ii) standardization, (iii) purchase in bulk, (iv) inspections by qualified experts, and (v) publicity and free competition.

134. In addition, certain subsidiary principles should also be kept in view by the department, viz.

(i) To utilize, within the limits and subject to the conditions to be prescribed by executive orders, Government's own factories (e.g. those attached to jails, the criminal tribes settlement, industrial schools, engineering workshops, etc.) by purchasing from them, as far as practicable, articles required for the public service and manufactured or manufacturable at such factories, so as to avoid waste.

(ii) To help, without giving price preference, (a) co-operative societies and (b) middle class youths, especially ex-students of the department's technical and industrial institutions, to market the products manufactured or handled by them.

(iii) To act as an adjunct of practical utility to the Department of Industries, (a) by assisting new as well as established United Provinces industries in relation to the purchase of their products, and (b) helping to secure for the department's nominees (generally students and ex-students of the technical and industrial institutions and occasionally their staff and, in exceptional cases, even outsiders) reasonable facilities for practical training as apprentices in the factories, workshops and offices of the firms under contract.

135. We are aware that an authoritative body of opinion holds that economy and substitution are incompatible; that substitution must ultimately be a question of price preference and economy must *pro tanto* be sacrificed. Our view, however, is that the usual impediment to substitution is ignorance and *inertia* rather than economy, and that a centralized organization for co-ordinating purchases and constantly on the look-out for substitution without sacrificing economy can, and does, help the products of Indian industries to replace imported articles; individual purchasers are not in an equally strong position to render such help. Moreover, broadly speaking, it is in the direction of finish and polish rather than price or intrinsic quality that the products of Indian industries require any preference. As an illustration of substitution simultaneously with economy may be cited the successful introduction of Aligarh locks of a satisfactory quality in place of imported locks for the use of treasuries. Thus, our view is that, in practice, substitution is not necessarily inconsistent with economy.

136. The Stores Purchase Department has succeeded, to a certain extent, in achieving its objects.

Achievements.

(a) On its initiative, pugree cloth made and naphthol-dyd in India was adopted in replacement of imported Turkey-red cloth. The substitution of Hume cement pipes made at Jhansi, locks and brass buttons made at Aligarh and many other articles made in India for corresponding imported articles can be cited in support of its claim. It has also encouraged U. P. industries connected with brass buckles open steel racks, jaconet and gauze cloth, antiseptic dressing materials, screw jacks, etc. and claims to have assisted the pioneer scraprolling industry at Cawnpore to retain its foothold in the market against powerful outside competition.

(b) It is not possible to assess the savings effected in precise terms. After an examination of the cases cited by the department, we conclude that, on the whole, the Stores Purchase Department, must have enabled Government to effect appreciable economies. A few illustrations may be given. By a mere scrutiny of the indent and introduction of competition, the price of permanganate of potash was brought down by about 36 per cent., the tendering firm remaining unchanged. The prices of unit sheds and extensions were brought down from Rs.694 to Rs.631 and from Rs.411 to Rs.381 respectively, of a ten-mile track and engine from Rs.56,000 and Rs.16,000 to Rs.47,000 and Rs.14,750 respectively, of syphon pipes from Rs.115-11-0 to Rs.58-8-0 and so on; on the last transaction alone savings exceeding Rs.65,000 are claimed.

(c) Again, a number of articles have been standardized and detailed specifications laid down for textile articles leather goods and certain miscellaneous stores.

(d) Even apart from the purchase of jail manufactures, jails have also been helped in other ways, e.g. by the establishment of the tailoring industry at one jail on the initiative of the Stores Purchase Department and by the centralization of certain jail manufactures on its advice.

137. In short the Stores Purchase Department has rendered some assistance to Indian and particularly U. P. industries, effected economies, and, to a certain extent, helped Government factories. Nevertheless, we have considered the question as to whether it should be closed down and the agency of the Indian Stores Department utilized instead. We find, however, that the provincial organization is working at a low cost and, considering its cheapness, fairly efficiently. The heads of departments, who appeared before us, favour its retention. Moreover, no substantial advantage would be gained by transferring the work to the Indian Stores Department and the cost to the local Government would increase. We, therefore, hold that the Stores Purchase Department should continue as a provincial organization. In the subsequent paragraphs, we propose to examine its method of work and suggest some improvements therein.

138. As constituted at present, it is a co-ordinating rather than a genuine purchasing agency. In cases where it does not authorize direct purchase it bulks the requirements as far as possible, calls for tenders, selects the most advantageous ones —often in consultation with the consuming officers, notifies the arrangements

made, and arranges for the inspection of those important classes of stores for which a special inspecting agency is provided. Thereafter, however, it retains only a general responsibility for the working of the arrangements made by it. The actual ordering, transport arrangements, if any, checking and verification, inspection of stores after their arrival at their destination, payments—all these are left to the consuming officers themselves. It does not give a certificate of discharge nor does it arrange for payment to the suppliers. Each of these aspects of the work will now be considered in detail.

139. *Responsibility for the giving of contracts*—The Stores Purchase Department should continue to draw up specifications and standardize articles in consultation with consuming officers. But, it is and must be the sole authority in the matter of all purchases of stores. Barring only the authorized exceptions specified in the rules or cases of authorized direct purchase. It is obligatory to make all purchases through its agency or in accordance with its arrangements. In practice, the Director of Industries will no doubt consult the consuming officers as he has so far been doing in important cases. But the final responsibility for placing contracts and orders and for the policy and procedure governing the purchases of stores for the public service in the United Provinces is, and should be, exclusively that of the Director of Industries. Attempts have sometimes been made to blur the Director's responsibility in this respect and to argue that he should have merely advisory functions, the final selection resting with the consuming officers. But the orders issued from time to time make it clear that the Director is and must be the final authority for placing orders. This is also in accordance with the practice in the Indian Stores Department. We recommend that this position should be clearly re-stated.

140. *Price preference*—Interlinked with the question of responsibility for given effect to Government's policy is the question of preference in the matter of price, quality and finish as a measure of State aid to industries. That such preference should be given to a limited extent is generally recognized. The responsibility for deciding whether, subject to the rules laid down by Government, preference in the matter of price or in any other form should be given and if so, to what extent, should rest with the Director of Industries. In practice the question of price preference will seldom arise. It is in respect of quality or finish that articles made in India may have to be given preference for some time. Moreover, even if preference is needed at first, it is likely that, with further experience, the suppliers would not need it indefinitely. We suggest that a formula somewhat on the following lines may be incorporated in the U. P. Stores Rules:

With a view to give effect to the above policy preference in making purchases will be given to the various categories of stores in the following order:

Firstly, to articles which are produced in India in the form of raw materials, or are manufactured in India from raw materials produced in India, provided that the quality is sufficiently good for the purpose.

Secondly, to articles wholly or partially manufactured in India from imported materials provided that the quality is sufficiently good for the purpose.

Thirdly, to articles of foreign manufacture held in stock in India, provided that they are of suitable type and requisite quality.

Fourthly, to articles manufactured abroad which need to be specially imported.

Subject to the above and to such limitations as may be prescribed by Government, the Director of Industries may, when he is satisfied that such a measure is justified, allow a limited degree of preference in respect of price, quality or finish to articles produced or manufactured in India either wholly or in part.

141. This may be supplemented by the issue of suitable detailed instructions to the department. We suggest instructions on the following lines :

(i) A strict comparison with prices prevailing abroad is not required, but the underlying principle is that the preference to be accorded to Indian products is to be tempered by the consideration of economy and should discriminate between indigenous and imported raw materials.

(ii) Ordinarily, a limited degree of price preference in favour of articles produced or manufactured in India will be justified for one or more of the following reasons :

(a) When the industry in question is expected to fill a vital gap in the economic life of the country and is likely to take a firm root in the soil in the near future.

(b) To prevent any sudden dislocation of the labour market on a large scale.

(c) To regulate and control foreign competition especially during periods of temporary trade depression abroad.

(d) To counteract the advantage to foreign industries arising from the depreciation of the exchange of the country in question.

(iii) Price preference up to Rs.2,000 for any individual contract may be given by the Director of Industries himself. The rate of preference over the next lower category of stores may not exceed 5 per cent. if indigenous raw materials are used and 2 per cent. if the main raw material used is imported. When, however the contract is for a sum of Rs.10,000 or less, the Director of Industries himself may give such preference up to $7\frac{1}{2}$ and 5 per cent. in cases involving the use of indigenous and imported materials respectively, provided that in the case of contracts for a specific article required by only one department such price preference may not be given by the Director of Industries without the consent of the officer who controls the budget, or in the case of a difference of opinion, without Government's approval.

(iv) All other cases in which it is proposed to give price preference should be referred by the Director of Industries and Commerce to Government in the Industries Department which will, before passing orders, consult the Administrative department concerned.

142. *Direct purchase*—The working of a department intended to centralize the purchases of stores for all departments of Government must give rise to occasional complaints that the arrangements made by the Stores Purchase Department are sometimes more expensive. But we feel that it is largely in respect of articles of low value that comparisons between the quality and price of articles supplied by the S. P. D. contractors and those available in the local market are likely to be made to the disadvantage of the former. We recommend that the limit for direct purchases may be raised from Rs.50 to Rs.100; this should go a long way to remove the existing difficulties, even though it will affect "rate contracts" adversely. The power to make direct purchases is at present hedged round with the proviso—"until instructions to the contrary are issued"; this has been interpreted to mean that the department may make rate contracts about such petty articles too and that these would then be binding on all consuming officers. And yet, as a recent case relating to cycles and accessories proved, such arrangements may prove embarrassing to all concerned with even yielding economy. Hence we suggest that this proviso may be deleted so that, for their petty purchases consuming officers may, if they like, utilize the arrangements with the S. P. D. contractors but should not be bound to do so.

14. It may be possible for the department to delegate the power of direct purchase more extensively than has been the case in the past. For this purpose, it will be convenient if lists of articles are drawn up and revised from time to time showing:

(a) articles in respect of which neither substitution nor appreciable economy can be effected.

(b) those in respect of which substitution can be brought about, and

(c) those in respect of which only economy is possible.

In respect of (a) it should be possible for the Stores Purchase Departments to delegate the power more extensively.

144. *Inspection*—A proper system for the inspection of stores is not only desirable but even essential for the successful working of any centralized stores organization. Unlike the Indian Stores Department, however, the Stores Purchase Department is not adequately equipped for full-fledged inspection duties. At the same time, it must be noted that, for some of the most important classes of stores requiring inspection e.g., all classes of textiles, leather goods, and wood products, the services of part-time experts are available for inspection after manufacture. Besides, wherever it is considered desirable, the agency of the Indian Stores Department is also utilized for such work. As regards iron and steel, purchases are, in practice, made only from goods stocked in the Tata Company's yard at Kanpur and previously tested and certified by the Metallurgical Inspectorate of the Indian Stores Department at Jamshedpur. In regard to the inspection of

textile and leather articles for the Police Department, a committee consisting of the textile or the leather expert and three police officers inspect the goods before despatch. Indenting officers themselves are also expected to work as checking and inspecting officers in respect of the stores required by them. It is possible to criticize the working of the Stores Purchase Department on the ground of inadequacy of the arrangements for inspection especially in the case of goods not made at the headquarters of the *ex officio* experts. But it should be remembered that when the department was not in existence and the consuming officers used to place their orders direct, they rarely arranged for inspection during manufacture or even before despatch. Thus Government's interests are not less safeguarded by the Stores Purchase Department than they would be if it were not in existence; besides, the complaints on this score rarely proceed from the consuming officers. Moreover, if elaborate arrangements are to be made for inspection, the cost would increase considerably. The existing arrangements may, therefore, continue, but the agency of the Indian Stores Department may be utilized for inspections more often, when required.

145. *Certificate of discharge*—We understand that contractors have sometimes felt inconvenienced on account of the fact that in practice if not also in theory the responsibility for the grant of the certificate of discharge is blurred or divided or both. The department is not equipped to arrange for inspection during manufacture or before despatch, and the certificate of the indenting officer has, therefore, to be depended upon in a large number of cases. In regard to police purchases of textile goods a satisfactory solution was found possible in the appointment of a committee which inspects the goods at Kanpur before they are despatched; but similar arrangements cannot necessarily be made in regard to other articles and departments. The Inspector General of Prisons expressed himself definitely against such a committee being appointed for jail purchases and the Chief Engineers of the Public Works Department also consider that in regard to most of the Public Works Department purchases it would not be feasible to arrange for inspection at a central place. In the circumstances, and consistently with the needs and resources of the United Provinces Government, we suggest the following arrangement:

(a) Where the department has its own arrangements for proper inspection, it shall be both expected and authorized to give the certificate of discharge. The consuming officers would, even then, have to check the quantities and calculations; for this work the responsibility should be their own.

(b) As regards goods for which the Stores Purchase Department has made purchasing arrangements but either (i) has no inspecting agency or (ii) has not cared to utilize it, the responsibility for the *quality* and *quantity* of goods despatched should be deemed to be that of the Stores Purchase department. Even when the consuming officers correspond direct with the supplying firms on matters arising in this connexion, they should be deemed to do so in the capacity of agents to the Stores Purchase Department. The power to give the certificate of discharge in such cases also should be given to, and should be exercised by, the Stores Purchase Department.

(c) As regards the actual inspection of goods after their arrival at destination, the responsibility should, in all cases, unless the goods have been inspected, and accepted by the Stores Purchase Department before despatch, be clearly defined to be that of the consuming officers, but theirs should not be the final voice in the matter. Whatever they do should be clearly understood to be in the capacity of agents with a specified responsibility.

(d) Similarly, consuming officers should be made entirely responsible for check and verification of quantities and calculations at destination. Under such a system (i) where goods have been inspected by the Stores Purchase Department prior to despatch, it will only have to await the check and verification report before proceeding to give the certificate of discharge, and (ii) where they have not been inspected, it will have to await the consuming officer's report (in the capacity of an agent) on *quality* and also his check and verification report. In all cases the consuming officer should be empowered to give the certificate of discharge on behalf of the Stores Purchase Department, if he is satisfied that it can and should be given. In actual practice such certificates will in most cases be given by the consuming officers—generally in the implied form of payment of the supplying firm's bills.

(e) In the case of purchases through the Indian Stores Department or the Director General of Stores, London, the responsibility for the certificate of discharge should be that officer's with whom lay the final decision to place the order in question.

(f) In the case of direct purchase, the Stores Purchase Department can, of course, assume no responsibility.

146. *Payments*—We understand that complaints have been frequently received in regard to payments to suppliers. In some cases no payment is made until the certificates of acceptance from every officer to whom goods have to be supplied under the contract have been received. The responsibility for payments is that of the Stores Purchase Department, as it is the authority for placing the orders. But, for obvious reasons payments are, and will continue to be, made direct by the consuming officers. The Stores Purchase Department should be empowered to direct a consuming officer, at any stage, that payment should be made to the contractor on the Stores Purchase Department's responsibility. If there be any complaint about the *quality* of the supplies made, the indenting officer can and should take the question up with the Stores Purchase Department. But, he should not have the power to withhold payment after the Stores Purchase Department has taken upon itself the responsibility of directing that payment or part payment should be made. We understand that the Indian Stores Department system is in essence similar to that outlined above. We need not state that in respect of direct purchases the consuming officers must continue to be exclusively responsible for payments.

147. In order to ensure prompt payments, clear instructions should be issued for the guidance of consuming officers. It may, for instance, be laid down that consuming officers must pay a certain percentage,

say 80 or 90 per cent., of the total value of the goods within a fortnight of the receipt of the inspection certificate accompanying the goods, the balance being retained against possible disputes relating to quality. In those cases in which they are expected to do the "inspection after arrival at destination" as agents for the Stores Purchase Department, the period of fifteen days should count from the date of arrival of the goods at the specified railway station from which they are to be taken to their destination. The advisability of laying down that in case payment is not made within the prescribed period (allowing for such extension thereof as the suppliers may agree to), the consuming officer will be liable to pay interest at specified rates, may also be considered. An alternative suggestion is that the price payable should be liable to a discount if payment is made within a certain period, and that a list of cases in which such discount was not availed of should be submitted to the Government. On the whole it seems to us that the payment of interest will prove more satisfactory.

148. *Purchase by local bodies*—The utility of the department would be increased if the orders of the district and municipal boards as also of the statutory and other public bodies such as universities were placed through the department. The greater the bulking the greater the possibility of effecting substitution and the larger the economies. We understand that the Allahabad University has been utilizing the agency of the Indian Stores Department. We recognize that all that Government can do is to invite the attention of these bodies to this matter; they cannot be required to utilize the services of the department. But we suggest that every effort should be made to convince them of the mutual advantage that would accrue from their doing so. In suitable cases the Government grants to such bodies may be made subject to the condition that the Stores Purchase Department's agency should be utilized.

149. *Closer touch with industry and trade*—Lastly, we think, the department should get into closer touch with industries and trade. The officer in immediate charge should tour more than he does; for this purpose he may if necessary be classified as a touring officer. He must pay frequent visits to the markets in the city. He can do more of inspection work than he does; in fact, whenever possible he should consider himself the inspecting officer in respect of those classes of stores for the inspection of which no special arrangements are available. Lastly, the department should maintain a live contract with the working of the Indian Stores Department including its London Branch. We trust that the Assistant Stores Purchase Officer's recent "Deputation" for training in the Indian Stores Department will help him to widen his mental outlook and to establish useful contracts with that department's organisations both at headquarters and in the provinces.

Conclusions

150. We consider that the Stores Purchase Department is doing useful work on the whole and it should continue more or less on the same lines as at present. The Director of Industries who is also the Stores Purchase Officer must be the authority for placing orders for stores on behalf of other departments, except when direct purchase is allowed; powers should, however, be given to consuming officers to purchase direct articles costing not more than Rs.100

without reference to the Director of Industries. The latter may grant price preference up to a certain limit, but if a contract is for a larger amount, he must act in consultation with the consuming officer concerned. The existing arrangements for inspection of articles supplied, should continue, but the agency of the Indian Stores Deptment may be utilized more often for this purpose. The responsibility for the giving of a certificate of discharge must be clearly laid down, and instructions issued so as to secure prompt payments to contractors. The advantages of the Stores Purchase Department should be brought to the notice of local bodies and closer touch should be maintained by it with industries and trade.



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CHAPTER VII

INDUSTRIAL AND TECHNICAL EDUCATION

A—General

The present position.

151. Since the Naini Tal Conference of 1907 considerable attention has been devoted to the development of technical and industrial education. In 1910 there were only four Government institutions. By 1931 the number had increased to 30 (7 first class and 14 second class institutions and 9 model weaving schools), while another 66 run by local bodies or private organizations were in receipt of the Government grants. Within the last two years, owing to the need for retrenchment some schools have been closed and there are now 24 Government schools, in addition to the Harcourt Butler Technological Institute and 46 aided institutions. The present budget provision for technical and industrial education Rs.9,38,000 and forms about 82 per cent of the total grant of Rs.11.46 lakhs for, the Industries Department. Appendix VII gives for each Government institution detailed information relating to the year in which it was established, the courses taught the initial non-recurring expenditure, the average recurring expenditure incurred during the last three years, the percentage of employment of ex-students, etc. Out of a total budget provision of one crore and eighty lakhs during the last thirteen years as much as one crore and thirty-nine lakhs which amounts to 77 per cent., has been spent under this head in addition to the expenditure on the headquarters staff who have to devote a major part of their time to the supervision of industrial and technical education.

152. *Objects:* Broadly speaking, the objects which these schools are designed to serve are—

- (i) to train cottage workers and other artisans in improved methods, and help in the improvement of their technique,
- (ii) to enable middle class young men to set up in their own industrial business,
- (iii) to help middle class young men to secure employment in industries, and
- (iv) to supply industries with trained men to take charge of industrial work in various capacities.

The larger institutions are also expected to carry on experiments and research and introduce new appliances and designs.

153. *Training of artisans*—As regard the training of artisans it is true that many schools were intended primarily to cater for the men in the trade and that a number of them still have artisan classes. Various attractions have been offered to cottage workers to join them. A large number of subsistence stipends are provided, no fees are charged; demonstration parties are sent out to explain new devices and popularize the schools among the artisans; low educational qualifications are prescribed. In spite of all this, the result has not been by any means satisfactory. We have tried to collect information about

the percentage of artisan and non-artisan boys in the various institutions. The information is far from reliable and complete, but it has been incorporated in Table I of Appendix VII for what it is worth. It will be seen that on an average only about 17 per cent. of the boys who are admitted can be said to belong to the artisan classes, although it is doubtful whether they really belong to that category. It may fairly be said that though artisans do sometimes send their children to these schools they rarely go themselves, presumably because they do not find the training imparted to them to be of sufficient practical use. It might be no great exaggeration to say that skilled artisans often consider that the teachers at the schools, who are supposed to teach them, do not know as much as they do themselves, on the other hand however, cottage workers and other artisans generally tend to take a narrow view, viz., "practical results measured by immediate monetary gain." It may, therefore, be said that on the whole the schools do not attract artisans and their boys to the extent contemplated when they were set up.

154. *Training for business*—Now are they successful in helping to set up middle class young men in business; the number so set up is only a fraction of the number trained. In fact, the training imparted is largely divorced from commercial practice with the result that the students trained are not sufficiently qualified to set up in business on their own. It may, therefore, be said that in this direction also the schools have not much reason to be proud of the results.

155. *Training for employment*—They have, however, had a little more success in finding employment for the young men trained, as shows by the figures in column 14 in Part I of Appendix VII but these figures are far from reliable, and there are a large number of students trained at these schools who are unemployed. Now, unemployed men who have received general education are already a problem but the unemployment of young men who have received technical and industrial training in a particular industry and cannot find employment therein is an even more serious problem. For general education is given with a cultural object, in order to create a body of useful and active citizens and not with a definitely utilitarian motive. Industrial and technical education, on the other hand, is imparted with a specific purpose and if that purpose is not served, and the persons trained are not absorbed in the industry concerned, they are useless for anything else. As against this it is argued that the students trained at least imbibe an industrial bias. We consider, however, that if the aim is to turn the minds of our young men from thoughts of employment under Government or other bodies, it is necessary to create an interest and disposition towards industry and trade by imparting manual training in general educational institutions; carpentry, weaving, soap-making, iron work, clay modelling, basket weaving, leather working, etc., may be taught there side by side with general education and spread over a period of several years, so that the education may prove interesting to the boys and create in them a vocational sense. But to make a few hundreds of them waste four or five years of valuable time in receiving training for some particular industry and then turn them adrift on the world without any prospect of employment or business is inadvisable and even risky. Hence we

consider it is essential that the number trained should be regulated, bearing in mind the extent to which they can be absorbed. At the same time close co-ordination should be maintained between the Education and the Industries Departments.

156. *Supplying trained men for industries*—Further it is essential to ensure that the quality of the training imparted is such as would help these youths to secure employment. A large number of schools do not appear to be either adequately equipped for modern needs or suitably staffed or to be in sufficiently close touch with the actual requirements of industrial employers; we are authoritatively informed that the apprentices trained by the Kanpur mills in their own workshops are considered more useful and better qualified for work in the factories than most of the students trained at the industrial and technical institutions. It is said that, on the one hand they are too academic and too highly qualified to make good mistries, and on the other, they possess imperfect knowledge and are too immature to be entrusted with the charge of machinery. It is undoubtedly true that industrial employers frequently tend to ignore the fact that schools are hardly designed to supply completely trained men who can straightaway be absorbed in industries; school training is only the foundation on which the men trained there have to build their own superstructures by intensive work under regular commercial conditions. On the whole, however, it may be said that the training imparted is not of sufficient use, either to the students or to the industry, and that the existence of these schools does not seem to have resulted in any notable progress in industries.

157. *Systems need revision*: In short, it appears to us that though some schools have had a fairly creditable record of utility the prevailing system of technical and industrial education is not adequately fulfilling the objects with which it was started and that it stands in need of revision. In particular, suitable financial and other arrangements should be made for properly equipping schools with modern machinery etc, where required, keeping them up-to-date and staffing them adequately. Further, there should be a closer liaison between the industrial needs of the province and the imparting of education to meet those needs, and a careful examination should be made as to how this is to be effected. If, as a result of such examination some schools appear not to be serving a useful purpose, they should be closed; and others which are to be retained should be strengthened and placed on a sound footing. Special arrangements should also be made to enable the young men trained to set up in business and for meeting the needs of the artisans.

158. In fact, it appears desirable to recognise and adopt two distinct systems of training—one for artisans and the other for middle class men possessing a certain amount of general education. A clear distinction should be drawn between schools meant to give intensive practical instruction to artisans in improved methods and technique, and vocational schools intended to train up young men possessing some general education so as to fit them to set up in business or find employment in the industries for which they are trained. The organization and method of work of each type of school must necessarily be different. We accordingly suggest that there should be three types of schools,

Different
types of
schools
needed.

vis. (1) Central institutes and schools, (2) Elementary schools, some of which may serve as feeder schools—both those types being for middle class young men—and (3) instructional or tuitional classes for artisans. These suggestions will be explained in some detail in the succeeding paragraphs.

159. A central vocational school should be a thoroughly well equipped and adequately staffed first class institution, designed to give instruction to middle class students possessing general education so as to enable them to set up in business or find employment in the industries for which they are trained. It should be maintained primarily to the extent required by the industrial needs of the province; this, however, does not preclude the possibility of starting, as an exceptional measure, a school to develop a new industry. There should ordinarily be only one such school for each industry or phase of industry, as it is better to have one first rate institution rather than two or more second rate ones. The number may however be increased when the exigencies of the industry demand it and its needs cannot be met by one school. The number of students trained at each such school for any trade or industry should be so regulated that they can reasonably be expected to be absorbed in the industry or trade concerned or in an allied one wherein their training can be fairly effectively utilized. (For the purposes of this calculation full allowance should be made for wastage in various forms.) In addition to the regular training special courses may be held on suitable terms for young men who do not find the ordinary curriculum suitable to their requirements, and wish to take up training only in some particular line of work provided that the interests of those going through the regular course are not sacrificed thereby.

Central
institutes
and
schools.

160. *Stipends for distant localities* :—It might be objected that poor deserving students from all parts of the province may not find it possible to go to a single central institution. This objection, however, can be applied to so many institution, such as the Agriculture College, and some of the industrial institutions, such as the School of Arts and Crafts, the Textile School, and so on. On grounds of finance as well as practical utility, the province cannot afford to maintain a first class technical institution for each part of the province. If the central school has something good and useful to teach, we have no doubt that its distance from his home would not prove a serious obstacle to a student really keen on joining it; after all our students do go abroad at considerable expense. However, to meet cases of exceptional hardship we recommend that a certain number of stipends may be reserved for localities or centres which are likely to provide good students who but for such assistance would not find it possible to join the school.

161. *Research, etc* : The central school should not confine itself to training, but should also be a centre of research for the industry concerned. It should follow a clear-cut programme of such work carefully regulated according to the changing needs of the respective industries. To this end the head of the institution should be required to do only a limited amount of teaching and to pay special attention to research and investigations. He should also be responsible for the technical supervision of the institutions that we are recommending exclusively for artisans connected with his industry. In order to be in touch with the

day-to-day problems of the industries or trade with which he is concerned, he should be required to do a certain amount of touring in the centres of that industry or trade. In order to emphasize the fact that his duties are partly teaching, partly research, etc. and partly supervision, he may in addition to being the Principal be called the Superintendent of the industry concerned and given some of the powers and assigned the functions of an "expert" to the department. To relieve him of the routine duties which unfortunately absorb the energies and take up a large amount of the time of the experts in the department, we recommend that he should be relieved of some of his teaching functions, and that a suitable assistant should be placed in direct charge of most of the routine duties connected with teaching proper and the administration of the school.

162. *Co-ordination between provinces*—In this connexion the question of co-ordination between several provinces in regard to higher technical education and research in particular industries may be considered. It has been suggested that the policy of making every province self-contained in regard to all kinds of instruction and research is a costly one and the needs of the several provinces could be cheaply met by co-ordination, so that if a good central institution for a particular industry exists in a province, the neighbouring province should share the burden and depute its students to that province, while it may itself set up a first rate institution in another industry which might be used by both. For instance, the Civil Engineering College at Roorkee serves the interests of both the United Provinces and the Punjab. We feel that there is scope for an extension of this principle. The advisability of maintaining a central school when one already exists in a neighbouring province and can provide training for students from this province, may be looked into in consultation with the province concerned. So far as we can judge, no province has such a large number or variety of institutions as the United Provinces; co-operation with other provinces should help in developing them still more. For the present, however, this province will have to aim at inducing other provinces to help in maintaining its central schools, on condition that a certain number of students from those provinces are admitted to them. At the same time, in order to prevent duplication and to enable each province to know exactly what activities are going on in other provinces and universities the advisability of setting up some central co-ordinating organization may be examined.

163. *Commercial extension courses*—At these central schools special care should be taken to ensure that the instruction given is of a practical nature so as to enable the students to set up in business on their own after finishing their course. At present, the meagre activity in regard to the so-called commercial operations has little influence on the boys; it is little more than practical work on a large or moderate scale. The result is that, when they emerge from the schools, they do not know the rudiments of the commercial application of such knowledge as they have acquired and so they seldom think of anything but service. If the students are expected to make good in life, the conditions under which they work while they are at school should be assimilated as closely

as possible to those under which the respective trades and industries are plied in the province ; and to this end the institutions should be properly equipped and the students should be given commercial training of a practical kind. We, therefore, propose that commercial extensions of the course, as it were, extending over a year or two should be provided for students passing out of the central institution who wish to set up in their own business. Where, for reasons of space, it is not possible to provide facilities to ex-students for carrying on the operations with in the school premises, it may be arranged that the ex-students work along business lines under the close supervision of the school authorities in building close to the school.

164. Government may provide the capital cost for each undertaking, while the ex-students may meet the running expenses keeping the income to himself. If a number of students work together like this, they would have the advantage of organization and co-operation for purchase, handling and sale. It is possible that in the beginning the ex-students will not be able to make a living in this way owing to their inexperience ; but this period should be regarded as one of probation, and in any case it will serve as useful training and will indicate to them the difficulties that they should avoid when they start business independently. If necessary, stipends may be given to them to help them to ride over this period. We have considered the possibility of reducing the ordinary courses, in order that the students might save a year from the usual class-room instruction and utilize the same, but we understand that in order to give really first class instruction, the length of course in the central institutions should if anything, be increased rather than decreased. Hence it will be necessary to take up this business training after completing the regular course, which means that the total period of training will be extended by a year or two in the case of those students who wish to set up in business. We feel that this period will be spent to advantage and will help to achieve the real object with which the State provides industrial and technical education.

165. *Apprenticeships*—At the same time, we should make it clear that under modern conditions practical and commercial training in the institutions cannot adequately take the place of such training in the factories. Hence, at any rate in the case of the students of those institutions (or sections thereof) which cater for the needs of factory scale industries, a regular system of apprenticeships should be adopted. The influence of the Store Purchase section with the contracting firms should be utilized for this purpose.

166. Closely interlinked with the central school, there should be branches or off-shoots thereof for imparting instruction to artisans. These might be called tutorial or instructional classes and should differ from the fixed schools of the vocational type in that they should go to the homes of the artisans themselves instead of expecting the latter to come to them. Each classes should consist, as a rule, of a single practical instructor fully acquainted with the methods and conditions of work of the indigenous artisans belonging to the industry or trade concerned. He should be better equipped than the artisans in the theory as well as the practice of that trade or industry, and should have extensive practical experience of the type of

Instructional or Tutorial Classes

Cession of Jurisdiction.

175. The land on which railways in class (1) and (2) were constructed was till very recently given freely and unconditionally by the States. Sovereignty over the land remains with them, but in almost all cases jurisdiction has been ceded to the British Government over the land required for the track itself and for all railway purposes. The cession has usually been expressed in the following formula :—

“ I....hereby cede to the British Government full and exclusive power and jurisdiction of every kind over the lands in the State which are, or may hereafter be, occupied by theRailway (including all lands occupied for stations, for outbuildings and for other railway purposes), and over all persons and things whatsoever within the said land.”

The interests of India as a whole clearly demand uniformity of law and continuity of jurisdiction. If every State exercised jurisdiction on the main line between Delhi and Bombay, a train would encounter no less than thirty-eight changes of jurisdiction during the course of its journey.

176. Many States have submitted that full jurisdiction should be restored to them on certain of these railways and civil jurisdiction on others. Into that claim we are not required to enter, our concern being with the economic and financial effects which have been represented to us as the outcome of these cessions ; but we have assumed that for a long time there will be areas of ceded jurisdiction in States, and it is from this standpoint that we have to consider their claims.

177. The circumstances in which these claims arise are common to numerous States which gave land for railway construction or have ceded jurisdiction over such lands where the railways are their own property. As what we have to say on the subject applies to all, we have considered it unnecessary to specify individually the States affected. Our recommendations are intended to bring about a situation in which there would be no longer any legitimate ground for a State which has ceded jurisdiction over railway lands to claim that the prejudice to its fiscal interests by the cession is such as to constitute an indirect contribution to Federal Revenues.

Claim to share profits of railways in States or to purchase them and appropriate net profits.

178. Some States claim to share the profits of railways traversing State territory or to purchase the lines and appropriate the net profits. This claim is supported by reference to the fact that the land originally acquired for railway construction was granted by the States free of cost. Where such grants were unconditional, there is clearly no valid ground for claiming now a share in the profits of the railways concerned or an option to purchase the railways and appropriate their net profits. There may, we know, be one or two cases in which such claims are based on more solid ground. We have been unable in the time at our disposal to investigate individual

claims, and we consider the ordinary machinery of Government adequate for such purpose.

Claim that cession of jurisdiction over railway lands was not intended to include fiscal jurisdiction.

179. It has been represented by the States generally that the cession of jurisdiction over railway lands has involved fiscal consequences which were not contemplated at the time of cession. The Government of India has expressly disclaimed any right to exploit these areas for fiscal purposes, and, though this announcement may not yet have been translated into practice in every case, we assume that the grievance will be remedied before very long. The loss of revenue which the States attribute to the system under which jurisdiction is exercised by the Government of India falls under three heads, (a) immunity from State income tax (where levied) of persons residing and profits accruing within railway limits ; (b) immunity from State customs tariff, especially in the case of trading concerns, such as co-operative stores, whereby these are able to compete on unfair terms with concerns outside the railway boundary ; (c) loss of revenue from excisable articles sold within railway limits.

Immunity from Income Tax.

180. As regards (a), State income tax, we consider that the States which levy income tax have a grievance which should in equity be removed, and our recommendations are as follows :—

Railway Employees resident in State territory should be subject to State income tax, if any. This would involve some amendment of the existing income tax law in British India, but we note that distribution of income tax in British India on the basis of residence has been recommended in paragraphs 69—70 of the Report of Lord Eustace Percy's Federal Finance Committee.

Federal Railways should undoubtedly be exempt from tax in the same way as all federal property.

Railway Companies should pay State income tax, where such tax exists, on the basis of the proportion of their mileage in State territory to their whole system or on such other system of apportionment as may be found practicable and equitable.

Immunity from State Customs Tariff.

181. As regards (b), State customs tariff, we understand that facilities have already been accorded by the railway authorities to certain States to collect their customs duties within railway lands on goods imported for consumption as distinct from goods in transit. We consider that steps should be taken to remove the grievance of other States in this matter.

Immunity from State Excise.

182. As regards (c), State excise, we understand that some States are already paid the excise fees at British rates on articles sold in railway restaurants within their limits. We see no reason why this practice should not be applied generally, but we recommend that the rates of excise charged and paid to each State should be those in force in that State.

(iii) Claims arising out of Civil Stations and Cantonments in Indian States.

183. Ordinarily, or with very few exceptions, the immediate area in which the residence of the representative of the British Government in State territory is situated is by long convention immune from the State's jurisdiction. The claims which we have now to consider arise from the existence in certain States of :—

(a) *Civil Stations*, that is to say certain areas in the neighbourhood of the Residency, which many States represent to be more extensive than seems necessary under present conditions.

(b) *Cantonment* areas, that is to say, land set apart for the use and accommodation of His Majesty's Forces quartered within the State.

The areas in which Residencies are situated have in most cases been provided free by the States concerned. Civil stations and cantonments are in some cases leased in perpetuity on an annual payment to the State, in others they are provided free of charge. The claims which have been preferred by the States before our Committee embrace the questions whether these areas should be retained at all, whether the conditions of the leases are fair, and whether the persons resident within the areas should be immune from State taxation, so long as the State is denied any share in the proceeds of taxation realised by the cantonment or station authorities. Some States have also raised the question whether the lessee is at liberty to dispose of land within the leased area at a profit for building and similar purposes.

Retention of civil stations and cantonments and terms of leases.

184. The retention of cantonments for His Majesty's Forces is in many cases a military necessity as well as a treaty obligation. There may, however, be cases where the retrocession of such areas in whole or in part is in the interests, both of the State and of the Federal Government. This is a matter of policy with which we are not directly concerned. We have therefore no recommendations to make for the retrocession of these areas or for the revision of their leases on terms more favourable to the States ; but we consider that no demands should be made for increase of rent, save in very exceptional circumstances, in view of the common purpose which every cantonment serves.

185. The retention of civil stations is on a somewhat different footing. Originally these stations were bazaars for the supply of provisions for the Resident's civil staff and military escort ; there was always, in the early days of our occupation, the danger of friction with local firebrands and fanatics, or even of deliberate interruption of supplies, if the Residency staff had recourse to the ordinary bazaars. Times have changed, and there is seldom any necessity for this policy of segregation, a fact which has been recognised by the retrocession of jurisdiction in the case of the Hyderabad and Indore bazaars. We consider that, in most cases, it would suffice if the area of foreign jurisdiction were confined to the Residency itself and the buildings under the Resident's control. Our only recommendation is that, when the continued retention of any civil stations beyond these limits is regarded as essential on political grounds, the conditions of the lease should be subject to periodical examination.

186. Bangalore in the Mysore State is described by the hybrid title of a Civil and Military Station. Here there is a special arrangement of recent date under which all revenues of the station above an agreed figure are made over to the Mysore Government. It is a question whether the financial grievances which have been brought to our notice by that Government can be remedied satisfactorily under the existing arrangement or a modification of it, or whether there is any case for partial retrocession of the area. In view of the fact that this is a military as well as a civil station we are unable to make any recommendation on this particular point. Other recommendations which we have to make under the head of cantonments may be taken to apply to Bangalore.

Right to proceeds of taxation within the limits of civil stations and cantonments.

187. The attitude of all the States in the matter of their right to levy or to receive the proceeds of taxation in civil stations and cantonments is not the same. When the right to receive the proceeds of a particular tax has not been renounced, as, for instance, excise in the cantonment of Secunderabad in Hyderabad State, the State's claim as a rule embraces the right to collect :—

- (a) Income Tax (where this is a State tax) ;
- (b) Inland Customs Duty ; and
- (c) Excise.

188. We believe that in the case of the more advanced States there is no practical objection to the exercise of fiscal authority by a Darbar within cantonment limits, provided that proper provision is made for the exemption of the purely military population and for the avoidance of double taxation under such heads as income tax. In fact, in Secunderabad not only does the Nizām's Government administer and collect the excise duties for the benefit of the cantonment, but it also collects and appropriates inland customs duty. We believe, however, that if a State were to appropriate all revenues other than municipal the proper administration of cantonments would become impossible for lack of funds. It is customary

throughout India for provincial Governments to supplement the municipal revenues by grants in aid towards the cost of various services in urban areas, and the payment of excise duties by the Hyderabad State to the Secunderabad Cantonment Fund is an instance of the application of this principle to cantonments in States. We suggest therefore that where jurisdiction is retained, whether in a civil station or in a cantonment, there should be an agreed financial settlement, and that any surplus above reasonable local requirements should be appropriated for the State in whose territory the area is situated. We consider that our recommendations offer a better solution of the difficulties to which we have drawn attention than any attempt to place a cash value on the indirect contribution which the States affected claim to be making in respect of civil stations and cantonments located in their territory, and for this reason we do not suggest that there are any claims on this account which should rank for financial adjustment under our Terms of Reference.

(iv) Claims arising out of existing arrangements in regard to certain excisable commodities.

189. It has been urged by many States, particularly those in relations with local Governments of British Indian provinces, that their legitimate revenues in the sphere of excise are injuriously affected by arrangements imposed upon them in the interests of a neighbouring province. These grievances relate only to articles, i.e., liquor, opium and hemp drugs, the taxation of which is, and will presumably remain, within the sphere of the provincial administrations. If, therefore, the States concerned are found to be foregoing under existing arrangements the proceeds of taxation paid by their subjects, the resultant gain is to the local Government concerned and not to the Government of India. Nevertheless the principle underlying these grievances has a definite relation to Federation, inasmuch as it is *prima facie* unjustifiable and undesirable that one federal unit should levy taxation upon another, and we therefore feel it incumbent upon us briefly to review the situation as we see it.

190. The grievances of the States are two-fold ; that excise rights leased in the past by States to a local Government are being diminished in value owing to that Government adopting a policy of which the aim is admittedly prohibition ; and that certain excisable articles, particularly opium, cannot be obtained by the States except from the local Government, and that the latter, instead of supplying them at cost price, appropriate to their own revenues a considerable part of the excise duty for the time being in force.

191. The first category calls for little comment from us inasmuch as it is impossible to uphold the imposition upon a State of a self-denying policy adopted at the instigation of a legislature possessing no authority in that State. We understand that the situation in this respect has, during the last few years, engaged the careful attention of the provincial Government chiefly concerned and that in several instances agreements have been cancelled and the *status quo* restored.

192. In regard to the second category of grievances, we should like to see effect given to the general principle that, in respect of all provincial excises, the proceeds of the whole of such taxation should accrue to the administrative unit within whose territories the taxed articles are consumed. There may be cases in which it is necessary that the provincial Government should be the supplying authority and in which compliance with indents should be limited to an amount representing the reasonable requirements of the State concerned. But it does not appear to us that such considerations can justify or necessitate the retention by a provincial Government of any part of the excise duty in addition to a fair cost price including overhead charges. We observe that this principle has already been admitted by the Government of India in respect of *charas*, a hemp drug imported from Central Asia and issued to States and other local Governments from warehouses situated in the Punjab. Until recently the Punjab Government appropriated the whole duty on issues of this drug to Indian States, but the Government of India has now introduced arrangements under which such duty is refunded to the States concerned.

193. We have, for reasons explained above, referred to these grievances, and have indicated our views regarding them. We have no further recommendations of a financial nature to make in respect of them. They obviously raise no questions of either contributions or immunities of the nature of those on which we have been specifically required to advise.

(v) **Kadim Inams.**

194. We have received a number of claims from States situated in the southern part of the Bombay Presidency arising out of the rights of the Government of that Presidency in what are known as *kadim inams* and other ancient grants. The term indicates a grant of revenue, charged on lands or villages in the State, made by the suzerain power of the time—in this case the Peshwa—before the territory out of which the grant issued had been constituted a State.

195. As the State was constituted subject to the burden of the *kadim inam*, it was long held that the latter on its lapse or escheat reverted to the original grantor or his successors, and not to the State on whose territory it is charged. It would appear that, as a matter of grace and not of right, the States have in most cases been allowed the benefit of such lapses and escheats, but the application in earlier times of the doctrine of the reversionary right of the suzerain power has resulted in certain revenue, which would normally go to the States, accruing to the Government of Bombay.

196. The States claim that with federation the doctrine should be abandoned in theory as well as in practice, and that the revenues drawn from their lands or villages under its former application should no longer be paid to a British Indian province, but should revert to themselves. With the general principle we are in agreement, and if the right of lapse or escheat is no longer to be exercised we think it might well be formally abrogated.

197. The claim for the remission of the payments already in force demands further consideration. We find that in certain neighbouring districts of the Bombay Presidency the situation is reversed, and that States are in receipt of cash grants of similar nature at the expense of provincial revenues. While we fully agree that payments of the nature of *kadim inams* are undesirable under Federation, it is impossible to advocate a one-sided remission at the expense of the province alone. We therefore suggest that, where these revenues are received from and paid to the same State, one should be set off against the other, and that where there is a balance or where there is no such set-off, the rights should be bought out. The capitalised sums due to the province will help to meet those due from it. If, as is likely, there are cases where it is found more convenient in present financial circumstances not to pay the capitalised value of the amounts at once, a series of equated payments spread over, say, the 20 years which we have advised as the maximum period within which tributes should be extinguished, would afford a means of bringing about their extinction without throwing any substantial burden on either the States or the province.

198. In any event we do not hold that these payments raise any difficulty as regards the federal scheme. In the first place they are in respect of rights held ordinarily by individuals and do not imply any subordination either of the State or of the province from whose lands they are drawn, and, secondly, they are of relatively small amount and number, and affect only the relations of one unit of the Federation with another and not with the Federation as a whole.

199. While, therefore, we hold that such payments between units of a Federation would be anomalous and should disappear as speedily as possible, we do not consider that they are cash contributions of the kind within the meaning of our Terms of Reference.

(vi) Claims in regard to other miscellaneous cash contributions.

200. In paragraph 34 we explained that the cash contributions which were reviewed in Chapter III were those commonly described as tributes. The States, however, make other cash contributions to the British Government which cannot be so classified. We have already mentioned the special case of *kadim inams*. The other payments which have come to our notice do not seem to us to require to be scheduled as they are in return for specific services rendered locally, are for the most part voluntary, and represent either the equivalent of or a contribution towards the actual cost of the services in question. Among these payments, which are most commonly found in the Central India, Western India, and various Bombay Agencies, are subventions towards the upkeep of roads and voluntary payments towards the upkeep of Agency hospitals and dispensaries. The question whether payments of this character should continue under Federation is one primarily for

local consideration, seeing that the objects which they maintain serve local needs. Some States have represented to us that these payments should be taken into account in the financial adjustment to be made with them on their entry into Federation, but we are unable to accept this contention, as the payments appear to be entirely outside the federal sphere.

201. Separate mention must be made of the contributions paid by numerous States and Estates in the Western India States Agency and in the Rewa Kantha and Mahi Kantha Agencies under the Bombay Government for the administrative charges of the Agency Thana circles. Owing to their small size and meagre revenues, numerous States and Estates in these Agencies have for many years been grouped together for the purpose of joint administration under officers appointed by the Government of India. The present system grew out of the intervention of the Company's Government necessitated by the state of anarchy which prevailed in this area at the beginning of the 19th century, the first stage of which was the settlement of the tributes due to the Company, and to Baroda and other States. The next stage was the institution of criminal courts and a police organization, a measure to which the Company was forced on account of the insecurity of roads and continued disorder in areas where the jurisdiction of individual Chiefs and Chieftains often extended over a few acres only. Later came the introduction of civil courts, and, later still, the creation of common services for such purposes as education, health and agriculture. This joint administration is organized under separate Thanas, a word originally applied to the military posts established by the Moghuls and Mahrattas to protect the country, preserve peace and aid in collecting revenue. Its cost is met mainly from contributions obtained from the States and Estates comprised in each Thana circle, assessed in accordance with their respective revenues, which are in many cases exiguous; also, in respect of police administration, from the payment of Rs. 3½ lakhs made by Baroda [see Appendix III, Class (5)], any deficit being made good from central revenues, which also meet the cost of the political Agencies by which the Thanas are supervised.

202. Although the contributions received from States and Estates for Thana administration are not voluntary, they appear to differ in character from the contributions towards local corps discussed in para. 73 and detailed in Appendix III, Class (5), since the States who contribute towards the maintenance of local corps are represented to be able themselves to furnish alternative means of maintaining internal security, whereas the Thana administration is necessitated by the fact that the States and Estates affected have wholly insufficient resources to provide an adequate administration. For this reason we do not recommend any change in the present system whereby these States and Estates are required to contribute in accordance with their means towards those heads of expenditure which represent the joint services which it has been found necessary to provide on their behalf.

Summary of Conclusions and Recommendations.

Our conclusions and recommendations are :—

In regard to :

(i) Indian States Forces, that the financial adjustment should be deferred until after Federation (para. 173) ;

and in regard to :

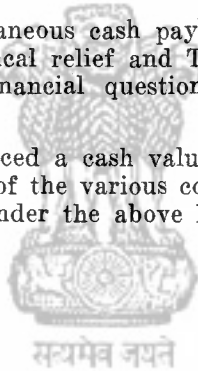
(ii) railway lands ; (iii) cantonments and civil stations ;

(iv) excisable commodities ; and (v) “lapsed inams” and similar cash payments in the Bombay Presidency, and the grievances at present felt by the States can be removed by the specific measures which we have suggested and that thereby all claims under these heads can be disposed of without any financial adjustment as regards federal revenues (paras. 174-199) ;

and in regard to :

(vi) other miscellaneous cash payments (towards maintenance of roads, medical relief and Thana administration), that these raise no financial question affecting Federation (paras. 200-202).

We have not therefore placed a cash value for the purposes of financial adjustment on any of the various contributions which the States claim to be making under the above heads.



CHAPTER VI.—SALT.

Introductory.

203. Our Terms of Reference directed us to examine (*inter alia*) the varying measures of privileges or immunity enjoyed by certain States in respect of Salt, to investigate the position in each State with a view to determining the value of the ascertained existing rights in respect of these privileges and immunities, and to express an opinion as to what compensation it would be worth while for the Federal Government to offer in return for the relinquishment of the special privileges which each State now enjoys, or such modification thereof as may appear to us to be an essential preliminary to Federation. This task we endeavour to perform in this Chapter.

204. The importance of salt to India both as an article of consumption and as a source of revenue is best illustrated by the following facts and figures. The normal demand of India (excluding Burma, and also excluding Kathiawar and Cutch, which are not supplied from sources under British-Indian control), is approximately 1,900,000 tons per annum, or an average of about 12 lbs. per head of the population. Of this great quantity the returns for 1931-32 show that nearly 1,450,000 tons are produced in India itself, the whole of which—with the exception of some 100,000 tons of mined salt from the Punjab—is derived from solar evaporation of salt water or brine. The remaining 450,000 tons are imported.

205. With trifling exceptions the sole port of import is Calcutta—for the markets of Bengal, Assam, Bihar and Orissa and to a small extent for the United Provinces. The climate of north-eastern India is unsuitable for the economic production of salt by the processes of solar evaporation, and these provinces are therefore compelled to procure their salt from other than local sources. All other parts of India are supplied by salt produced in India, mostly within easy reach of the consuming areas.

206. The salt imported at Calcutta comes in the main from England, Europe, North Africa and Aden, though a relatively small quantity is shipped from Bombay, Madras and Karachi, while, more lately, factories situated in certain of the States of Kathiawar have been permitted to compete in the Calcutta market. The principal sources of supply are the Aden factories, which have lately greatly increased their production and now furnish approximately 310,000 tons of the total, and, as Aden is administratively part of India, it may be said that only some 140,000 tons of India's total salt requirements have to be imported from non-Indian sources.

207. Salt in India has been the subject of taxation from time immemorial, and the principle of a salt tax was inherited by the British Raj from the Moghul Empire. The amount of the tax has varied greatly according to the requirements of the administration, but has at no time been entirely remitted. It is levied at so much per maund (82 lbs.), and the present rate of tax is Rs. 1-9-0 per maund (inclusive of a temporary surcharge of 5 annas), which, at a consumption rate of 12 lbs. per head, represents an annual

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tax of approximately $3\frac{1}{2}$ annas (4d.) per head of the population. This taxation produces a substantial proportion of the central revenues. The Federal Finance Committee in their forecast of federal revenues estimate a net receipt of 555 lakhs of rupees from salt taxation, which represents about $6\frac{1}{2}$ per cent. of the whole estimated revenue.

208. The cost of production of salt in India varies from a minimum of $2\frac{1}{2}$ annas per maund to a maximum of 6 annas, and averages approximately $4\frac{1}{2}$ annas per maund. The actual cost to the consumer is dependent upon freight charges (rail or sea) and to a less extent upon the operations of speculators, and varies with the quality of the salt. With duty at the present rate the average price is approximately Rs. 2-5-0 per maund, or about $\frac{1}{2}$ d. a lb.

History of Salt agreements with States.

209. Inasmuch as many Indian States possessed and operated their own salt works and placed their surplus salt on the British-Indian market, very great difficulty was experienced by the Government of India and the provincial Governments during the period of British expansion in India in protecting their salt revenue and ensuring its collection. The East India Company found themselves compelled to establish customs lines for the collection of salt import duties at their frontier. The most important of these cordons stretched for 2,472 miles from the Indus to the extreme south of the Central Provinces, and was guarded by an army of 12,911 officers and men at an annual cost of $16\frac{1}{2}$ lakhs of rupees. It consisted of "a great impenetrable hedge of thorny trees and evil plants and stone walls and ditches, through which no man or beast could pass without being stopped and searched." This cordon was maintained against the salt-producing States of Rajputana and Central India, Bahawalpur in the Punjab and Cutch and Kathiawar on the West. It was still in existence in 1869. Certain other salt-producing States, such as Travancore, Cochin, and States on the eastern shore of the Rann of Cutch, against whom the maintenance of preventive lines was impossible, had already been dealt with by agreements concluded in some instances as early as 1824.

210. For many years previous to 1869 all salt production in British India had been a Government monopoly in the sense that salt sources were worked either by Government direct or by licensees under strict Government control. In 1869-70 the Government of India negotiated a lease of the most important and productive salt source possessed by any State, namely, the Sambhar salt lake. Out of this measure arose the opportunity for a general extension of the salt monopoly into the States and the abolition of the highly expensive preventive lines. A determined effort to this end was accordingly initiated in 1873, and carried to practical completion by 1880, by which the difficulties experienced with salt produced in the States were eliminated and an effective degree of Government control established over salt sources throughout India.

211. In brief, the method adopted was, firstly, to acquire from the principal salt producing States such additional salt works as were required to meet the increased demand for the satisfaction of which the Government of India proposed to assume responsibility ; secondly, to organise the suppression of all other States' salt works and, thirdly, to secure the elimination of transit duties upon salt, it being the practice of many States, including those not producing salt themselves, to tax the salt of other States and of British India in passage to consuming areas.

212. Apart from Kathiawar and Cutch, where arrangements were concluded on a Paramountcy basis between 1883 and 1885, agreements of a commercial character embodying provision for compensation in respect of surrendered rights were entered into with about fifty States which owned, operated or had an interest in salt works, or were in a position to levy transit duties on an important scale.

213. It has been made clear that these negotiations were entered into primarily in the interests of the revenue of British India, but the needs of consumers both in the States and in British India were also an important consideration. By concentrating production, by introducing more efficient methods of manufacture and transport, and by securing the abolition of transit duties, a great deal was done to reduce the price of salt in many parts of India, though in States where salt taxation had hitherto been very light or even non-existent a new burden was placed upon their population. But inasmuch as a large number of States' salt works were producing earth salt of the crudest quality for consumption by the local population it is undeniable that the suppression of the manufacture of salt of this kind and its replacement by salt of greatly superior quality was an advantage to be set against any hardship due to increase of price. None the less, it is evident from the representations made to us that an element of compulsion is regarded as having entered into the negotiations leading up to the agreements referred to, and that a sense of grievance still exists. Many States have memorialized us in strong protest either against the suppression of their previously existing salt works or against the amount of compensation which the agreement gave them for such suppression.

214. These amounts were in fact assessed upon well considered principles. Where States were in possession of salt sources essential to the monopoly in process of creation, the commercial terms offered and accepted were liberal. In all other cases compensation was calculated with reference to the revenue which Government expected to receive from the salt duty which was about to be levied upon the inhabitants of the State concerned.

Revision of Salt agreements impossible.

215. We have been given the duty of determining the value of the privilege or immunity enjoyed by each State in respect of salt. We are not empowered by our Terms of Reference to evaluate rights no longer in existence. But, apart altogether from Terms of

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Reference, it would be impossible for this or any other Committee to place a present day valuation on salt rights which were extinguished, or on salt works which were entirely destroyed more than fifty years ago. It must moreover be borne in mind that all salt agreements were negotiated with States which in the last resort possessed the full right to reject the terms offered ; only in the special cases of Kathiawar and Cutch was it found necessary to invoke the principles of Paramountcy, and it must be presumed, in the absence of evidence to the contrary, that however reluctantly the terms may have been accepted, acceptance elsewhere was in fact a voluntary act. This being so, we are of opinion that there is no ground on which reconsideration of the salt agreements now under discussion would be justifiable at the present time.

216. But this is not to suggest for a moment that no such reconsideration will ever be required. As has been already stated, these salt agreements were negotiated as between the Government of India and the States primarily in the interest of British India. Under Federation the interests of British India will be able to claim no such priority, for the two interests will be identical.

217. Salt being a Federal subject, it will be equally the concern of the States and of British India to ensure the supply of India's needs and to protect her salt revenue. It may well be that with an increasing population (which even now requires the importation of foreign salt to satisfy its requirements) the development of new salt sources in India will need to be encouraged. It may also well be that the Federal Government, inheriting from the present Government of India considerable liabilities in the matter of annual compensation charged upon its salt revenues, may desire to diminish those liabilities by a change of policy towards salt sources owned by the States ; and lastly, in any case, the States' representatives in the Legislature will have it in their power to call for a review of the whole subject, if and when they think it desirable. Their interests and those of British India could then no longer be in any sense antagonistic and any reconsideration of salt policy would be clearly entered into on a basis of equality.

218. It should here be made clear that the salt monopoly which the long sustained policy of the Government of India has created, together with the established system of collecting the excise duty at the sources of production, ensures that the whole population of India, whether resident in British India or in the States (with the exception of Kathiawar and Cutch, and certain areas supplied from Mandi) pays a salt tax at the rate from time to time in force in British India. It is true that to some extent this tax enures for the benefit of Darbars, and not of the Government of India (vide Appendix V), but, in the main, the population of the States contributes to salt revenues on the same basis as British India.

Principles of Valuation.

219. We take the terms " privilege " and " immunity," as used by the Round Table Conference and in our Terms of Reference in relation to salt, to mean the extent of the exemption enjoyed by a

State (though not necessarily its inhabitants), through the operation of its treaties or commercial agreements, from the contribution to the central revenues which is made, through the incidence of the tax, by the provinces of British India and by other States. In pursuance of our Terms of Reference we have prepared a series of schedules showing the annual value of the exemption from British-Indian salt tax now enjoyed by each State concerned (Appendix V). States not mentioned in the Appendix enjoy no exemption, but it has been found desirable to include certain States which, though they enjoy no exemption, yet possess ascertained rights of a character which must be noted. In preparing these schedules we have met with some unanticipated difficulties. It has been generally assumed, even by States themselves, that all compensation paid to them under salt agreements would necessarily be included in the value of the immunity. That is by no means the case. We have found in a number of instances that when agreements for the acquisition or suppression of salt works were under negotiation the opportunity was taken of securing on a compensation basis the surrender of the right to levy transit duties or inland customs, and of other sovereign rights of a similar nature. But the amount of compensation payable under these various heads was not always differentiated. As it would clearly be improper to calculate the value of a salt immunity by reference to the total compensation payable under comprehensive agreements of this sort, we have been compelled to make an allocation. This has necessarily been of a rough and ready kind, in the absence of data which would be required for a scientific apportionment, but we are satisfied that it does substantial justice. We have also been confronted with the necessity of differentiating between compensation payable for the extinction of States' rights to levy duty on salt of their own production, and compensation payable for the suppression of salt works involving as an inevitable consequence the total loss of profit on the actual manufacture of salt. The former properly ranks as an immunity, the latter certainly does not. Though here also we could only allocate in some cases on a rough and ready basis, we felt that we should not be doing justice to the States concerned if we did not attempt the task.

220. In certain other very important instances we have found that a substantial portion of the compensation payable is for the surrender of land and works and is in the nature of rental or royalty. These payments cannot rank as a salt immunity and their value has not been debited against the States concerned.

221. The adoption of the above principles has had the effect of materially reducing the aggregate amount debited against the States on account of immunity from British-Indian salt tax, but we are satisfied that the figures shown in Appendix V are as fair to all parties and as substantially accurate as a close study of each case can make them.

222. As already stated, we do not here raise a debit against a State in respect of compensation in fact payable for the surrender of the right to levy transit or import duties, whether upon salt or other commodities. But States receiving this form of compensation are unquestionably enjoying exemption from full contribution to

central revenue, though this immunity is not from the payment of salt tax. It relates to the sphere of inland customs and is therefore dealt with in another Chapter.

Conditions in Kathiawar.

223. The special case of Kathiawar is wholly different from those which have been already dealt with. The peninsula of Kathiawar on the west coast of India has a seaboard some 600 miles in length, an area of 23,445 square miles, comparable with that of the Irish Free State, and a population of approximately three millions. It is inhabited by an enterprising people and, together with the neighbouring island State of Cutch, is responsible for a large part of the Indian migration to East and South Africa. To-day, as for centuries past, they conduct an extensive dhow trade with Zanzibar and with the Persian Gulf. The coastal areas can almost be described as one vast natural salt pan.

224. Efforts were made by the Government of India, at the same time as settlements were being reached in Rajputana, to bring the Kathiawar States into line with all other Indian States on the basis of commercial salt agreements, but the difficulties were too great and negotiation was finally abandoned. Resort was then had to Paramountcy, and the Kathiawar States, while left free to continue the manufacture of salt, were subjected without compensation to very definite restrictions in regard to the quantity of output and the sale of the salt so manufactured. The sale of Kathiawar salt was and is unrestricted within Kathiawar, and carries no duty payable to the Government of India, but a preventive line is maintained on the inland boundary of the peninsula, across which no Kathiawar salt is permitted to pass into the markets of India. Shipment by sea to any Indian ports is forbidden (with one exception of importance to be referred to later), and all salt traffic carried in dhows is made illegal because of the facilities for smuggling offered to shipping of small draught by the innumerable creeks existing on the coast of Western India. Until very lately, the sale of Kathiawar salt has in fact been confined to Kathiawar, but the large amount of salt imported from overseas into Calcutta has occasioned a recent modification of policy, and Kathiawar States applying for permission are now allowed to send their salt to Calcutta only, provided it is shipped on steamers not touching at other ports, and that it is loaded direct on board such steamers. These shipments of salt pay customs duty at Calcutta, and no immunity arises therefrom.

225. It is stated in our Terms of Reference that "the ideal system of Federal finance would be one under which all federal units would contribute on a uniform basis to the federal resources." The position in Kathiawar is that no State contributes anything in respect of salt tax, but that is only a part of the difficulty with which we are confronted. With the exception of a trifling inland manufacture of earth salt, the only Kathiawar States producing salt are the maritime States, viz.:—Bhavnagar, Janjira (Jafarabad), Junagadh, Baroda (Kathiawar possessions), Porbandar, Nawanager and Morvi, with Dhrangadhra on the Rann of Cutch. All the inland States of Kathiawar purchase their salt from the maritime States.

and such excise duty as is charged upon this salt goes, not to the Government of India, but to the maritime States. The effect of the present arrangement is that the inland States cannot claim any credit in respect of a contribution to central salt revenues inasmuch as they pay nothing, and they must therefore be debited with the value of a complete immunity.

226. The maritime States are, as has already been made clear, in the enjoyment not only of complete immunity for themselves, but are also enabled to impose such salt taxation as they choose upon their non-producing neighbours.

Special circumstances of Dhrangadhra.

227. The case of Dhrangadhra on the Rann of Cutch is peculiar. This State manufactures a type of salt, derived from the evaporation of brine, known as *baragra*. This particular type of salt is identical with that produced by the British-Indian works at Karagoda, also on the Rann of Cutch, and it is held by the salt authorities of the Government of India that, the identification of *baragra* salt coming from Dhrangadhra being impossible, the risks to the revenue from smuggling call for special measures. These measures have taken the form of requiring that duty shall be collected at the British-Indian rate on all salt manufactured at the Dhrangadhra works. Dhrangadhra retains the duty collected, and is therefore in the enjoyment of an immunity, but, inasmuch as the British-Indian rate of duty is very much higher than the duty charged by the salt manufacturing States of Kathiawar, and Dhrangadhra, in common with other Kathiawar States, is debarred from the markets of India, this State finds itself at so great a disadvantage in competition with its neighbours that its works are in danger of extinction. The Dhrangadhra Darbar has made very strong representations to us on this subject.

Suggestions for Kathiawar.

228. Viewing the matter as a whole in its relation to Federation we have come to the conclusion that there is only one solution for the problem presented by Kathiawar. The admission of non-contributing units would be wholly inconsistent with the federal ideal. The maritime States object strongly to the restrictions under which they are placed and are most anxious for access to the markets of India, while Dhrangadhra has a very special grievance arising out of the complicated history of its negotiations with the Government of India in recent years. The Darbars of the inland States are in an unfortunate and invidious position, inasmuch as the immunity which they possess by reason of the fact that their people do not pay salt tax to Government, and the value of which must therefore be debited against them, does not carry with it any countervailing financial advantage to them.

229. We are of opinion that restrictions upon trading activities imposed under Paramountcy without compensation cannot be maintained under Federation. We hold as a general principle, that, in a Federal India, States owning valuable salt sources should be treated

not as possessing potentialities of danger and injury to salt revenues but as units capable of making a helpful contribution to the efficient and economical supply of salt to India as a whole. Such States should be admitted as partners and co-operators in the business, and the present Kathiawar arrangements should give way to arrangements such as are outlined below.

230. We therefore suggest that all restrictions whatsoever on the marketing of salt manufactured in Kathiawar be withdrawn. But such a policy could only be inaugurated on a truly federal basis by the acceptance of obligations on a reciprocal basis by the manufacturing States which receive the suggested consideration.

231. We are of opinion that, in return for freedom to trade, the States concerned should voluntarily submit to the collection by Federal officers, at the source of manufacture, of the all-India excise duty. The duty is now collected at the sources of manufacture throughout India and the system is well understood, is effective, and works without friction. There is no reason to suppose that the same system, fortified by such general regulations as are common to the maintenance of salt works and the movement of salt throughout India, would not work as well in Kathiawar as it does elsewhere.

232. It is true that the acceptance of these obligations involves some surrender of sovereign rights, but the precedent already exists, and Kathiawar would be conceding nothing that has not already been conceded by the great States of Jaipur and Jodhpur. Moreover, a mutual agreement such as we suggest would be made with a Federation in which the States affected would themselves be units—an entirely different matter from an agreement made with the existing administration in which the States have no share. It is true, also, that our suggestion, if accepted, would increase the cost of salt to the population of Kathiawar, but we have already shown in our opening paragraphs that the incidence of this indirect taxation is not heavy, and, in any event, it would be no heavier than is borne by the whole population of India at the present time except that of Kathiawar. Moreover, the payment of salt tax on the same basis as British India and other Indian States would enable Kathiawar to make its contribution to the federal revenue in a manner probably more satisfactory to itself than any other which could be devised. It would also provide an immediate and effective remedy for the invidious situation of those inland States which at the moment must be debited with the value of a complete immunity. These considerations, together with opportunities for profit on the larger production which the removal of trading restrictions must provide, should go very far to compensate for the concession which it is suggested that they should make. The Government of India, or the Federal Government as its successor, might stand to lose at the outset by new competition with its monopoly, but the encouragement of the high-class salt production of Kathiawar could only be to the advantage of India as a whole, and the new revenue derived from the hitherto untaxed Kathiawar salt sources would more than counterbalance any loss occasioned by competition. Acceptance of our suggestion would

also eliminate the disabilities under which Dharangadhra now labours.

233. The Terms of Reference require us to include a schedule showing the value of the immunity now enjoyed by Kathiawar States. This has been done in Appendix V, the value of the immunity being calculated on the basis of population and on an average consumption of 12 lbs. per head per annum with salt tax at Rs. 1-9-0 per maund.

Conditions in and suggestions for Cutch.

234. The conditions existing in the State of Cutch are very similar to those existing in Kathiawar, with the difference that the market for Cutch salt is limited to Cutch itself under a Paramountcy agreement. A preventive line is maintained against the State on the mainland side of the Rann of Cutch, a tract which, it may be noted, can only be crossed by caravan traffic, and that only during the dry season. There is no rail or road connection between Cutch and the mainland of India. The State is most anxious for access to the markets of India both by sea and by land routes when open, and we make the same suggestions for Cutch as for Kathiawar.

235. It is perhaps desirable that we should re-emphasize our purpose in differentiating between the ascertained salt rights of Kathiawar and Cutch and the salt rights of other Indian States. The former have no commercial agreements; they receive no compensation for the restrictions under which they carry on their salt trade; and they have had to submit to a policy dictated by one interest only. The latter are parties to bi-lateral agreements under which they receive valuable considerations for the rights which they have surrendered.

Special case of Mandi.

236. Brief mention must be made of the isolated case of Mandi, a State whose territory is situated amongst the foot-hills of the Himalayas. This State owns rock salt which is quarried and commands a considerable sale in other Hill States, while some of it also finds its way into parts of British India. All of this salt is exempt from the payment of British-Indian tax. Some pecuniary compensation is received from the State by the Government of India for this infringement of the British-Indian monopoly, but it is doubtful whether the payment fully covers the loss to central revenues.

Total Value of Immunities.

237. Reference to Appendix V will show that the total annual value of those privileges in respect of salt enjoyed by Indian States (Kathiawar and Cutch excluded) which we have classified as immunities within our Terms of Reference is Rs. 38,15,151 and that, if Kathiawar and Cutch were included, the total annual value would be Rs. 46,06,057.

Concluding remarks.

238. Before concluding this Chapter we desire to acknowledge all the assistance given to us in our examination of the subject with which the Chapter deals. The Sub-Committee charged with the duty of investigating it visited and inspected certain States' salt works, notably those at Okha and Probandar in Kathiawar. They also visited and inspected the Government works at Sambhar lake, the Dead Sea of India, in Rajputana. This great lake, where a combination of salinaceous soil and solar heat converts fresh water into 300,000 tons of salt per annum, is the greatest of India's salt sources. It belongs to the States of Jaipur and Jodhpur and is leased by Government. To all who were at such pains to show the different works and explain the processes of manufacture we owe and here express our thanks.

Summary of conclusions and recommendations.

In the introductory paragraphs of this Chapter (paras. 203-208) we have given some account of the magnitude and origins of India's salt supply, the system of its taxation and the financial importance of this feature of the Indian fiscal system, it being estimated by the Federal Finance Committee that the net receipts from salt taxation should amount to Rs. 555 lakhs, or about $6\frac{1}{2}$ per cent. of the estimated federal revenues.

We also show (paras. 209-214) how between 1870 and 1885 the Government of India, by a series of Agreements with salt producing States, was able to establish a practical monopoly of production and to remove the customs barriers previously maintained against States. Reference is made (paras. 211-214) to the principles adopted for purposes of those Agreements and to their effect upon the States concerned, which has in some instances given rise to a sense of grievance which still exists.

We describe at some length (paras. 228—235) the special cases of the States in Kathiawar, and of Cutch, whose Agreements subjected them without compensation to very definite restrictions in regard to the output and sale of salt, but who contribute nothing towards the central salt revenue.

Except in the cases of States in Kathiawar and Cutch, we see no ground for recommending any immediate revision of existing Agreements. The question of revising other Agreements will be for consideration in due course by the Federal Government, which may deem it desirable to arrange that salt sources closed or restricted under the present Agreements should be reopened in order to diminish the importation of foreign salt and to rid itself of compensatory liabilities (paras. 215-218).

To the extent that certain States, or their inhabitants, would under existing arrangements be exempt from contributing to federal revenues through the incidence of the salt tax, we find that they are undoubtedly in enjoyment of immunities. These immunities, as calculated by us (Appendix V) amount in all to

Rs. 46,06,057, of which Rs. 7,90,906 relates to Kathiawar and Cutch. In making these calculations we have carefully scrutinized the salt Agreements with a view to excluding compensatory or other payments which, in our opinion, do not rank as salt immunities (paras. 219—222), though, as will appear from Chapter VIII, some of them constitute immunities of another kind.

In regard to Kathiawar and Cutch we suggest (paras. 228—235) that all existing restrictions on the manufacture and marketing of salt should be removed, subject to the condition that the States concerned should permit collection of the federal salt duty by federal officers at the source of manufacture, together with the application of such administrative regulations as are common to the maintenance of salt works and the movement of salt throughout India.



CHAPTER VII.—SEA CUSTOMS AND PORTS.

Introductory.

239. Our Terms of Reference in respect of sea customs, as defined in the Prime Minister's letter dated 16th September, 1931, addressed to our Chairman, are as follows :—

“ In regard to the varying measures of privilege or immunity in respect of customs . . . enjoyed by certain States, (a) to investigate the position of each State with a view to determining the value of the ascertained existing rights in question ; (b) to express an opinion as to what compensation it would be worth while for the Federal Government to offer in return for the relinquishment of special privileges which each State now enjoys or such modification thereof as may appear to the Committee to be an essential preliminary to Federation. In framing such terms it would be open to the Committee to make allowances for any contributions of special value which the States in question might have been or be making to the resources of the Indian Government.”

In the ensuing paragraph we are also authorized to take into account existing facts not specifically mentioned in our Terms of Reference but which have a close bearing on the matters remitted to us.

Views and conflicting policies of States and British India.

240. The general problem is well stated in paragraph 17 of volume II of the Indian Statutory Commission's Report, and the attitude of the maritime States *vis-a-vis* British India may perhaps be not unfairly summarized as follows. They argue that they possess by virtue of their sovereignty the right of levying and retaining sea customs duties at their own ports ; that, while they have agreed in the interest of India as a whole to levy such duties at rates not lower than those charged at entry into British Indian ports, the existing scale of duties has been determined by British India without reference to them ; that the revenue they derive from these customs duties is substantial, elastic, and an important part of their total revenues, from which their State expenditure (including that on nation building activities), has to be met ; that the appointment of the staff by which they collect, and the manner in which they disburse, the revenue so realized from customs duties are entirely matters for their own decision ; and, in particular, that they cannot be debarred from utilizing that revenue in the maintenance and development of the ports at which the customs duties are levied.

241. On behalf of British India, it may be said that it is an essential part of a federal scheme that there shall be a uniform system of customs duties—uniform in the scales of charge on each commodity, in the method of collection and in subordination to the Federal authority—, and that it would make for efficiency, if

not necessarily for economy, if all customs staff were concentrated under one administration ; and that, if the revenue realized from such a uniform system of customs duties is to be allotted wholly to federal needs, it is reasonable that against the value of the duties levied at their ports and hitherto retained by the States there should be set off the value of the general benefit which would accrue to the States from Federation, including the right to a voice in the determination of Federal policy.

242. No one disputes the right of the States, in their own interest and for their own purposes, to levy customs duties at their ports ; but it is clear that the British Indian authorities are fully entitled to take steps to secure that their own revenues are not thereby prejudiced. British India also not unreasonably complains that trade is diverted from its own ports, with consequent loss of revenue, to ports developed and maintained by States by means of subsidies from their general revenues, which are being constantly increased by the customs duties arising from the trade which those subsidies have attracted. These subsidies may take the form of provision of capital without interest or sinking fund charges, abnormally low port charges, especially for warehousing, the financing of traders on exceptionally favourable terms, and preferential adjustment of State railway rates.

243. The port trusts of all the major ports of British India are, on the other hand, administered on a self-supporting basis ; that is to say, their income is derived from port dues and charges which they are required to adjust so as to cover all proper expenditure, including interest and sinking fund charges. They have no right to draw upon the general revenues of the provinces in which they are situate or on those of the Government of India for the purpose of meeting any deficiency, and neither they nor the provinces have any claim upon any part of the customs duties levied at their ports.

244. Port trusts, other business undertakings, have to face competition from one another, but that competition is carried on under financial and administrative conditions applicable to all alike. The position is entirely altered when they are faced with competition from a port administered by a State on wholly different principles. The State has not only been enabled, through recent changes in British Indian fiscal policy, to reap an advantage as fortuitous as it was unexpected and, in certain cases, to acquire a revenue out of all proportion to its population, but, by using that revenue for the purpose of subsidizing the further development of the port, abstracts trade from its British Indian competitors and indirectly compels them to furnish it with the means of intensifying its competition. In addition to this, British Indian taxpayers, though they continue to bear the burden, are deprived of the benefit of the taxes which they indirectly pay. No doubt this is also the position of consumers resident in inland States served by British-Indian ports, but any grievance which they at present entertain by reason of their subjection to a system of sea customs taxation in the control of which they have no voice would find a remedy from their participation in a federal constitution. One

question at least which we have to consider is whether after Federation the maritime States can by virtue of their geographical situation claim to continue in an exceptional and privileged position.

Value of India's overseas trade.

245. Before dealing in detail with the circumstances of the Indian States' ports it seems desirable to indicate in broad outline the general importance of the international trade of India and of the import and export duties levied on that trade. We have therefore prepared a summary of this overseas trade (excluding coin and bullion) for the quinquennium 1926-27—1930-31 ; and also for the financial year 1931-32 just ended. The figures for Burmese trade are excluded throughout.

(Rs. lakhs.)

			<i>Total Imports.</i>	<i>Total Exports.</i>	<i>Total.</i>
1926-27	..	..	217,22	271,27	488,49
1927-28	..	..	235,11	288,69	523,80
1928-29	..	..	242,10	305,43	547,53
1929-30	..	..	228,09	279,46	507,55
1930-31	..	..	152,11	194,21	346,32
1931-32	..	..	120,11	138,27	258,38

246. The duties levied on this trade are as follows :—

(Rs. lakhs.)

Export Duties.

1926-27	..	..	..	..	..	..	4,92
1927-28	..	..	..	..	..	..	5,13
1928-29	..	..	..	..	..	..	4,72
1929-30	..	..	..	..	..	..	5,17
1930-31	..	..	..	..	..	..	3,80
1931-32	..	..	..	..	..	..	3,40

(Rs. lakhs.)

Import Duties, excluding salt.

1926-27	..	..	..	..	..	..	35,88
1927-28	..	..	..	..	..	..	36,07
1928-29	..	..	..	..	..	..	37,22
1929-30	..	..	..	..	..	..	37,28
1930-31	..	..	..	..	..	..	34,09
1931-32	..	..	..	..	..	..	35,75

(Import duties on overseas salt have been excluded, partly for the reason that such duties are included in the salt and not the customs revenue and partly because, as no salt is imported at Indian States' ports, the inclusion of import duties thereon in the above table would adversely affect comparison between the customs revenue collected at States' ports and at Indian ports as a whole.)

247. It is common knowledge that the years 1930-31 and 1931-32 show an alarming drop in the volume of India's international trade, the total of imports and exports for the year 1931-32 being only 47.1 per cent. of the peak year 1928-29 and only 53 per cent. of that for the quinquennium 1926-31. In these circumstances any generalizations about India's overseas trade are necessarily hazardous. But if, as we hope, we are justified in regarding the "slump" shown by the figures as of temporary duration only, we may assess her total overseas trade at approximately Rs. 500 crores. The customs duties thereon, at present rates but without the temporary surcharge, would amount to about Rs. 60 crores, but in view of the present abnormally low prices of several important commodities, the duties on which are specific and not *ad valorem*, we put the total customs duties at not more than Rs. 50 crores even on the optimistic assumption made as to a revival of trade.

248. Such is the magnitude of India's overseas trade and such the importance of her maritime customs. The importance to India of her customs revenue is greatly increased by the fact that, in a country at India's stage of economic development, there are peculiar difficulties in the levying of direct taxation. Customs and excise are in practice the most convenient methods of raising revenue; customs revenue is explicitly recognised as the main item of the federal budget and thus assumes an added importance for the future.

State ports visited and inspected by Committee.

249. With these facts in mind we now have to survey the overseas trade and the customs revenue of the Indian States with reference to their "ascertained existing rights" in respect of the latter. The Sub-Committee deputed for the purpose visited and inspected the following States' ports :—

Trivandrum	..	..	..	Travancore State
Quilon	..	..	..	..
Alleppey	..	..	..	Government of
Cochin	..	..	..	Madras and
			..	Cochin State
Bhavnagar	..	..	..	Bhavnagar State
Verawal	..	..	..	Junagadh State
Mangrol	..	..	..	(with Mangrol)
Porbandar	..	..	..	Porbandar State
Okha	..	..	..	Baroda State
Bedi	..	..	..	Nawanagar State
Rozi	..	..	..	..
Navlakhi	..	..	..	Morvi State
Mandvi	..	..	..	Cutch State
Kandla	..	..	..	..

They also interviewed the representatives of Cambay, at Bombay; the representatives of Janjira, at Rajkot, in respect of Jafarabad port; and the representatives of Savantwadi at Sangli.

250. The above is a complete list of the maritime States, which, in respect of their "ascertained existing rights," may be dealt with in three groups (1) Cochin and Travancore, (2) the Kathiawar States, and (3) the other maritime States. To these must be added a fourth group comprising certain States which, though not maritime, have privileges or claims in respect of sea customs. We proceed to deal with these four groups in the above order.

(1) Travancore and Cochin.

251. The Indian coast-line within the territory of Travancore and Cochin States has a definitely tropical character and possesses several distinctive features. Along the sea-board there has appeared, from the inter-action of factors still imperfectly understood, a long strip of land separating from the sea a system of waterways running from north to south some 150 miles in total length and of varying width, into which fall the rivers which drain the terrain between the hills and the sea. It includes a number of natural and artificial subsidiary channels, the whole providing a system of communication connecting on its west side at Alleppey and Cochin with ocean-going traffic and on the east with the low-lying areas of the two States.

252. The strip of land between this lagoon and the sea is subject at points to erosion on the sea frontage. This has been artificially checked at Vypeen Island, lying to the north of Cochin harbour, where it might otherwise have seriously affected that harbour. There is another, perhaps unique, feature, *viz.*, the presence of an oily substance, apparently vegetable in origin, which during the rainy season is, by some syphonic action due to the pressure of river water accumulated in the lagoon, discharged into the sea, where it has the effect of reducing wave action and thus makes it practicable for vessels to anchor, discharge, and load in open roadstead even during the monsoon. Alleppey in particular derives advantages from this peculiar natural phenomenon.

TRAVANCORE.

253. The ports of Travancore State—Colachel, Trivandrum, Quilon and Alleppey—are all open roadsteads. Colachel and Trivandrum are merely beach ports with no facilities and a trifling trade. Quilon is served by a jetty and does a considerable import trade, mainly in non-dutiable commodities such as rice and paddy. Alleppey is Travancore's most important port and some 436 steamers anchored in its roadstead in 1930-31. It is supplied with a conveniently constructed jetty, godowns for merchandise, and some other necessary equipment of a busy port. It has no rail connections but is linked with the great system of inland waterways already referred to and conducts a substantial import and export trade local in character.

254. None of the Travancore ports seriously competes or is likely to compete with British Indian ports and they may be regarded as serving the needs of the population of Travancore alone.

COCHIN.

255. The port of Cochin is in an entirely different class in that it possesses a harbour in the true sense. At Cochin the waters of the lagoon from the northern and southern directions join in the harbour, where there is deep scour due in part to the meeting of the tidal and fresh water and in part to the junction of the two streams of fresh water. This scour is of importance as facilitating the opening out, by dredging, of the channel to the deep sea and the keeping open of this dredged channel. Access to the sea for vessels of deep draught once secured, the lagoon provides an extensive and completely protected natural harbour. The bottom of this harbour consists of soil readily moved by suction dredger and suitable for the formation of reclamation areas.

256. The port of Cochin is a British Indian and not an Indian State port ; but it is a fragment of British India standing in absolute isolation and its development is dependent upon the co-operation of the neighbouring State of Cochin.

257. The Portuguese established a settlement at the harbour mouth in 1502. The Dutch took it from them in 1663, and held it undisputed till 1759, when the Dutch power had begun to decline. The Zamorin of Calicut invaded the settlement but was expelled with the aid of Travancore ; and between 1776 and 1791 Haidar Ali and Tipu Sultan asserted their suzerainty over Cochin. Thereafter it was subjected to attack by various Indian rulers but finally fell to the East India Company in 1791, since when it has remained a British possession. It is a tiny, though very populous, settlement covering only one square mile of land ; but that land includes both sides of the harbour entrance, and an important part of the lagoon comprising the harbour is also British. It is administered by the Government of Madras, of which Presidency it forms a part, and its customs house is controlled by British Indian officials.

258. Along the whole 840 miles of Indian coast from Bombay to Cape Comorin there was no safe harbour in British Indian or Indian State territory. Only at Portuguese Goa was there such a harbour, and it is small wonder that for at least 50 years the possibilities of Cochin have been closely investigated. But it was not till recent times that the development of suction dredging reduced the problem to an economic proposition. In 1920 a resident harbour engineer was appointed and from that date development of the harbour's facilities has gone steadily forward with the full co-operation of the State of Cochin.

259. The major works so far completed comprise : —

- (a) the protection of Vypeen Island on the north ;
- (b) the dredging of a deep-sea channel giving over 30 feet at low water ;
- (c) the formation of two islands from soil dredged in the harbour, the larger of which will provide the site for the harbour buildings and wharves ;
- (d) the laying of suitable moorings inside the harbour, at which vessels can lie in safety, and the provision of port

equipment and facilities, such as an excellent pipe line suction dredger, launches, survey vessels, oil and water supply, etc.

260. But the port development has not yet entered upon its final stage, which will make it possible for ships to lie alongside equipped wharves. Plans and estimates have been prepared for permanent jetties and transit sheds on the larger island formed within Cochin State waters from the dredged material, together with rail connection with the mainland. When this stage has been completed, the port should possess all the principal requirements of a well developed harbour for ocean-going ships, providing the long sea-board of south-west India with facilities long needed.

261. The present trade of Cochin port is principally a trade in foodstuffs. Its imports supply a dense population, Cochin State containing $1\frac{1}{4}$ million and Travancore over 5 millions of people, while its exports are drawn from the products of a highly fertile soil. Over 500 ships now call within the year. The imports comprise some 400,000 tons of cargo per annum, mostly rice and paddy, kerosene and petrol from Burma, sugar from Java, and grain from Bombay and Karachi, while its exports have a volume of about 100,000 tons per annum, the chief items being cocoanut products, pepper, tea, and tiles. All this traffic, both import and export, is handled at moorings, the goods being boated to and from British Cochin and Ernakulam, the present rail-head, which is situated in Cochin State on the mainland shore of the harbour.

262. We have given, as a necessary preliminary, a general description of Cochin port and its development, and we proceed to survey the "ascertained existing rights" in the customs revenue of the port possessed by the two States of Travancore and Cochin. These rights are governed by the Inter-portal Trade Convention of 1865 and the Four-Party Agreement of 1925. The acquisition by the two States under these Agreements of an interest in the customs revenue of the port was, as will be seen, the result of an exchange of valuable considerations.

Inter-portal Convention of 1865 and Port Agreement of 1925.

263. The Convention of 1865 provided that :—

(i) No duties should be levied either by the Government of India or by the two States on goods produced or manufactured in British India on their import, whether by sea or by land, into Cochin and Travancore territories, excepting tobacco, salt, opium and spirits.

(ii) No duty should be levied by the Government of India on goods produced or manufactured in the two States on their import into British Indian territory, whether by sea or by land, excepting salt, opium and spirits.

(iii) Free trade should be established between Cochin State and the State of Travancore.

(iv) The two States should adopt the British Indian tariff and rates of import duty on all foreign goods imported into them, tobacco being excepted on import into Travancore.

(v) Foreign goods which had already paid duty on import to British India or to either of the two States should be allowed to pass free in the event of their transport from either of these territories to the other.

(vi) Cochin State should adopt the British Indian rates of export duty on articles exported to foreign countries, pepper being excepted.

(vii) Travancore State should levy export duties, not less than those obtaining in British India but not more than Rs. 5 per cent., on all ordinary exports, 10 per cent. on timber and Rs. 15 a candy on pepper and betel-nut *ad valorem*.

(viii) The two States should adopt the British Indian tariff valuations for exports as well as imports.

(ix) The two States should adopt the British Indian selling price of salt and be permitted to import British Indian salt on the same terms on which it was imported into British Indian ports.

264. As compensation for the resulting loss to Cochin, the Government of India agreed to make over to the State a moiety of the customs receipts at the port of Cochin, and further guaranteed a customs revenue of not less than Rs. 1 lakh and an import duty of not less than Rs. 10,500. Travancore was granted a cash compensation, out of which a claim by the State has arisen with which we deal later in this Chapter.

265. Under the Port Agreement of 1925 the two States entered into certain financial commitments in respect of the development of Cochin harbour, then and still proceeding, and it was agreed that, after that stage in the development of the new harbour had been reached when ocean-going steamers were regularly berthed within the harbour, the net customs collection at the port should be divided in three equal parts between the Government of Madras and the States of Cochin and Travancore, with the implied understanding that the Government of India would be substituted for the Government of Madras if and when Cochin, as a major port, passed under the charge of the former. It was further agreed that the customs revenue collected on imports only at the Travancore ports of Quilon and Alleppey should be pooled, for the purpose of arriving at the three-party division, with the customs collections made at the port of Cochin. The new allocation of customs receipts contemplated in the Agreement of 1925 has now come into effect as from 1st April, 1931.

Claim of Travancore under Convention of 1865.

266. Under the 1925 Agreement, the "ascertained existing rights" both of Cochin and of Travancore are clear, though, the valuation of them is complicated by the somewhat indefinite financial commitments of the two States in respect of the development of the harbour. A question has, however, arisen as to the scope of the right acquired by Travancore under the Inter-portal Convention of 1865 to compensation for the loss of revenue involved in the acceptance by the State of certain provisions in the Convention.

267. It will be seen from the terms of the Convention which have already been set out that Travancore surrendered the right to levy duties on goods produced or manufactured in British India or on goods which had already paid duty in British India, subject to certain exceptions not here relevant, retaining only the right to levy duties on goods imported directly from abroad. By this surrender (designed to promote greater freedom of trade between the State and British India) of the right to levy duties on all goods other than those directly imported from abroad, Travancore gave up a certain amount of revenue which had therefore accrued to it, and endeavoured in the course of the negotiations to secure from the Government of India some compensation for this loss. The form in which the claim for compensation was finally put forward appears in a Memorandum submitted by the Dewan on the 3rd November, 1864, and described by him as a "Memorandum of the terms of the proposed Commercial Treaty between British India and Travancore." The material clause of the Memorandum is as follows :—

"The British Government to protect Travancore against loss of import duty on foreign goods imported through British-Indian ports, till Travancore ports obtain direct trade and the said loss disappears. This protection to be granted to Travancore . . . to the extent of the amount by which the collections of import duty on foreign goods which may hereafter be directly imported into Travancore under the terms of the proposed Treaty fall short of the amount of the same duty on all foreign goods directly and indirectly imported into Travancore in an average year, it being understood that British Indian valuations and rates of duty should be used in calculating these duties."

268. This Memorandum, with earlier correspondence between himself and the Dewan, was forwarded five days later by the Resident to the Government of Madras, with a covering letter setting out figures which, he observed, would enable an approximate calculation to be made of the amount of compensation for which the Government of India would become liable under the proposed arrangement. The Resident pointed out that as the trade of Travancore was steadily advancing, it was not suitable to go far back to "form an average of its prospective state," and he was of opinion that the last two years might be taken as a fair and proper standard. These showed that the average import duty on foreign produce had been Rs. 52,218 on the basis of the British Indian tariff and valuation (which it was thought more equitable to take) and that the deficiency arising from the loss of duty on goods directly imported, which it was now proposed should be made up by the Government of India, would be approximately Rs. 40,000.

269. The Government of Madras, on 16th February, 1865, considered the letter of the Resident and the documents which he had forwarded from the Dewan, and in their Proceedings of that date reviewed the course of the negotiations and the points where the parties were still at issue. They observed that, as regards foreign goods, Travancore had agreed to levy the British Indian rates of import duty, excepting from this rule cotton and metals, which were to pay 10 per cent., and including in the category of

foreign goods, goods of foreign origin re-exported to Travancore from British Indian ports ; that the Government of India objected to the latter proposal ; and that the Travancore Government was willing to yield the point but claimed a guarantee of the revenue involved, arguing that the revenue thus realised was derived from the consumption of its subjects and that, in the form either of a drawback or a guarantee, they were fairly entitled to claim it. On consideration of the various concessions which Travancore had expressed its willingness to make, and of its financial condition and the reforms it had still to carry out in its administration, the Government of Madras then recorded a decision to recommend to the Government of India that Travancore should be secured against loss by a guarantee to the extent of what would be the probable loss, *viz.*, Rs. 40,000. This recommendation was forwarded to the Government of India on the same day in a despatch which recommended the acceptance of the proposals finally put forward by Travancore, and added " the guarantee will amount to Rs. 40,000 at present and will be gradually reduced as the direct trade of Travancore increases."

270. The Government of India, on 8th April, 1865, signified their acceptance of the recommendations of the Government of Madras, and the latter Government, on 25th April, requested the Resident to report without delay whether the Travancore Government agreed to the arrangement which had been finally proposed by the Government of Madras in their Proceedings of 16th February, to which reference is made above. On 11th May, 1865, the Resident acknowledged the receipt of the letter from the Government of Madras and informed them that the Travancore Government had now conveyed to him their consent to the arrangement proposed. A Notification was accordingly published making the Convention effective as from 1st July following.

271. We have set out the facts relating to the final conclusion of the Convention of 1865 in some detail, in order that the course of events may be clearly followed. The Dewan, in his final Memorandum of 3rd November, 1864, asked for compensation to " the extent of the amount by which the collections of import duty on foreign goods, which may hereafter be directly imported into Travancore under the terms of the proposed Treaty, fall short of the amount of the same duty on all foreign goods directly and indirectly imported into Travancore in an average year," and the Government of India, on the recommendation of the Government of Madras, accepted this proposal by quantifying the loss at Rs. 40,000, in accordance with the figures supplied by the Resident, and fixed that sum as the maximum limit of the compensation in any one year for which they (the Government of India) were willing to accept liability for the compensation to be paid.

272. That this is the true interpretation of the agreement between the parties we can scarcely doubt, and we are glad to find our view confirmed by a paragraph which has regularly appeared year by year in the Travancore Administration Report. In the Report for 1930-31, it runs as follows :—

" 63. Under the Inter-portal Trade Convention entered into with the British Government in 1865, Travancore does not levy

duty on imported goods, with certain exceptions, produced or manufactured in British India or in the Cochin State, or on goods which have already paid import duty in Cochin or British India. But Travancore levies duty on articles imported direct from abroad. The average amount of customs collected at the time of the Inter-portal Convention was Rs. 53,218, of which Rs. 13,218 represented the amount of import duty then realised at the Travancore seaports, and the British Government guaranteed the State a total import revenue to this extent by undertaking to make good any deficit up to Rs. 40,000 a year. In other words, when the Travancore sea customs collections (on imports from foreign countries, excluding goods imported by sea for the use of the Travancore Government) are less than Rs. 13,218, the British Government pay to Travancore Rs. 40,000 ; but if, in any year, the collections exceed Rs. 13,218, the excess amount realised is deducted from the sum of Rs. 40,000, and the balance alone is payable to Travancore. No amount was payable during the year under report by the British Government under the Inter-portal Trade Convention."

273. In our opinion, therefore, the "ascertained existing rights" of Travancore under the 1865 Convention include a right to receive compensation in the circumstances mentioned up to a maximum of Rs. 40,000 in any year. The Travancore Darbar have, however, now claimed that "it is only just and proper that the compensation amount should be so adjusted as to correspond with present conditions and carry out the intention of the Convention to compensate Travancore for the loss actually incurred by her." They estimate the amount of duty payable on foreign goods now annually imported into the State, and mainly taxed at British Indian ports, to be no less than 57 lakhs of rupees, and we were informed by them that they had already moved the Government of India that the question might at once be settled so as to enable us to base our recommendations on the revised figures. If, however, the Government of India should not find it possible to decide the matter at an early date, then the Darbar asked that we should take it into account under the paragraph in our Terms of Reference which authorises us to consider other facts in the financial or contractual relations between the States and the Government of India which, though not specifically mentioned in the Terms of Reference, have a close bearing upon the matters remitted to us.

274. We cannot agree that this claim of Travancore is one with which we can deal under the paragraph of our Terms of Reference which is quoted above. We are, as we have said, unable to accept the interpretation placed by Travancore on the Agreement of 1865, and in these circumstances we cannot regard the rights claimed by the Darbar under that interpretation as "ascertained existing rights."

Value of existing rights of Travancore and Cochin under Agreement of 1925.

275. We must now revert to a consideration of the rights acquired by the two States under the Four-Party Agreement of 1925. It

has already been stated that under this Agreement the import duties collected at Quilon and Alleppey are to be pooled with the import and export duties collected at Cochin. We therefore append tables showing the value of the trade at these ports and the duties collected thereon.

ALLEPPEY.

<i>Value of Trade (Rs. lakhs).</i>				
	<i>Imports.</i>	<i>Exports.</i>	<i>Total.</i>	
1926-27	.. 116.3	407.3	523.6	
1927-28	.. 187.0	387.6	574.6	
1928-29	.. 191.1	423.1	614.2	
1929-30	.. 187.5	406.7	594.2	
1930-31	.. 95.3	338.1	433.4	

<i>Duties collected (Rs. lakhs).</i>				
	<i>Imports.</i>	<i>Exports.</i>	<i>Misc.</i>	<i>Total.</i>
1926-27	.. 1.29	11.92	.04	13.26
1927-28	.. 2.09	9.16	.05	11.30
1928-29	.. 1.16	10.48	.05	11.70
1929-30	.. 2.84	10.2	.06	13.11
1930-31	.. 2.85	11.35	.05	14.26

QUILON.

<i>Value of Trade (Rs.).</i>				
	<i>Imports.</i>		<i>Exports.</i>	
	<i>Dutiable.</i>	<i>Non-dutiable.</i>	<i>Dutiable.</i>	<i>Non-dutiable.</i>
1926-27	.. 3,354	12,40,538	8,059	76,498
1927-28	.. 506	7,68,277	5,081	62,847
1928-29	.. 2,437	22,35,384	11,228	77,664
1929-30	.. 3,554	19,57,036	8,294	38,169
1930-31	.. 6,245	19,01,018	2,398	51,398

<i>Duties Collected (Rs.).</i>				
	<i>Imports.</i>		<i>Exports.</i>	<i>Misc.</i>
1926-27 611	699	28
1927-28 76	393	1
1928-29 336	799	1
1929-30 333	8,082	56
1930-31 965	298	41

The export duties collected at these two ports do not come into the pool, but we have included the figures for the export trade at Alleppey and the duties collected upon it as exemplifying the very high value, even under the depressed conditions now prevailing, of the commodities produced in Travancore. The trade figures for Quilon are interesting as demonstrating the heavy import traffic in non-dutiable commodities conducted there, though the port's contribution to the receipts of the pool will clearly be negligible. It is apparent that the total benefit to be derived by the pool from Travancore ports will be about Rs. 3 lakhs.

PORT OF COCHIN.

276. In respect of the port of Cochin, the following figures give the overseas trade and customs revenue for the quinquennium, 1926-27 to 1930-31 :—

		<i>Rs. lakhs.</i>		<i>Net Customs</i>
		<i>Imports.</i>	<i>Exports.</i>	<i>Revenue.</i>
1926-27	..	5,57.36	5,14.18	18.25
1927-28	..	6,46.36	5,86.64	30.62
1928-29	..	5,56.57	5,74.27	28.66
1929-30	..	5,84.76	5,30.84	31.56
1930-31	..	5,41.68	4,83.58	34.78

277. It will be noted that there has been a marked increase in the customs revenue during the last four of these years, though not in the value of the port's total trade. This increase is chiefly attributable to sugar, which alone produced Rs. 18.32 lakhs in 1930-31 (more than one-half of the total collection), a result which is partly attributable to increased importation, due to the fall in price (from Rs. 203 per ton ex-duty in 1926-27 to Rs. 115 in 1930-31), and partly to the increase in the rate of duty, which has risen from Rs. 4-8-0 per cwt. in March, 1930, to Rs. 9-1-0, as from September, 1931. If we take into account only the figures for the last complete year for which they are available, we find a total net customs revenue from Cochin port of nearly Rs. 35 lakhs, to which for the purposes of the Agreement of 1925 approximately Rs. 3 lakhs receivable from the Travancore ports has to be added, giving some Rs. 38 lakhs for division between the three participating parties, or rather more than Rs. 12 lakhs to each of the two States with which we are now concerned.

278. It is the right to receive these Rs. 12 lakhs each which constitutes the "ascertained existing rights" of Travancore State and of Cochin State respectively at the present time. But the terms of the Agreement of 1925 clearly require us to bring within the ambit of those rights the revenue likely to be available for division on the completion of the last stage of the port of Cochin's development.

279. The problem of forecasting the revenue of the next few years is particularly difficult. The five main factors to be considered are :—

(a) whether the development of the port of Cochin with its intended improved railway connections will be fully completed within a reasonable time ;

(b) the future course of trade, and particularly of the trade in those commodities in which the two States are chiefly interested, i.e., the markets for their exports and the prices ruling for their principal imports ;

(c) the fiscal policy of India with its reaction on such items as sugar ; and

(d) the contemplated separation of Burma from India, with the possibility of taxation on Burmese rice exported to Cochin, Alleppey and Quilon.

280. It is obviously beyond the competence of this or any Committee to attempt any prediction with regard to the last three factors, but, as regards the first, something must be said. The amount of capital expended on the port of Cochin up to the present is approximately Rs. 83.5 lakhs, viz., Rs. 36.95 lakhs lent by the Government of Madras, on which the port pays interest and sinking fund charges, Rs. 27.18 lakhs provided as a grant in aid by the Cochin State, Rs. 16.36 lakhs derived from port funds, and Rs. 3.01 lakhs borrowed on short-term loan. The cost of the further development necessary to complete the port according to plan is estimated at Rs. 90 lakhs. Allowing some margin for contingencies, we may assume that a total debit on capital account of Rs. 1 $\frac{3}{4}$ crores may be expected before the port development is finally completed. It will be seen that, of the expenditure already incurred, a substantial portion has been provided by the State of Cochin in the form of a grant-in-aid, and the arrangement contemplated when the 1925 Agreement was concluded was that the contributions of Travancore and Cochin towards the further Rs. 90 lakhs of capital required should be provided in the same form. If we take the present trade of the port as in the neighbourhood of Rs. 10 crores and assume an increase of five per cent. per annum arising from the further development of the port, we have by the year 1935-36 a trade of approximately Rs. 12 crores and, assuming a *pro rata* increase in the customs revenue, a figure of Rs. 46 lakhs, or an increase in customs revenue of approximately Rs. 8 lakhs, a handsome return on the additional capital to be spent. But a note of warning is called for both as regards these possibly optimistic assumptions and also as regards the perpetuation or extension of the present method of financing the port.

281. As to the former, we have to bear in mind the dense population already existing in both States, the absence of any indication of industrial development, and the competition of other ports. All these must be considered in addition to the external factors which we have already mentioned. As against these it is true that Cochin has great natural advantages and that these have been developed wisely and successfully ; also that the improved railway connections now being effected and others in contemplation, together with the additional improvements actually included in the next stage of development, may have far-reaching effects on the future of the port.

282. As to the latter, the date should not be far distant when the port authorities can be called upon to frame a budget drawn on strictly commercial lines, and to provide in it for interest and sinking fund charges on their capital expenditure. At present their several funds—Landing and Shipping Fund, Port Fund and Pilotage Fund—are all maintained on a cash basis, with aggregate balances as at March, 1931, of some Rs. 11 lakhs ; but a complete system of accountancy would require a balance sheet and a revenue account providing for interest and sinking fund charges on the capital, the objective being, of course, to make the port a wholly self-supporting undertaking.

283. In our opinion, the port of Cochin—as the only port (excluding Portuguese Goa) between Bombay and Colombo which affords safe

anchorage and real harbour facilities to large ships at all seasons of the year and which, when fully developed, will afford all the facilities of a modern port—is of great present value and must in the future be of even greater value to an Indian Federation, in whose undivided possession, unhampered by any obligations to third parties, it clearly ought to be.

(2) The Kathiawar States.

284. The peninsula of Kathiawar is wholly in Indian State territory. On its landward side it abuts on British India, while its seaboard of some 600 miles in length is washed on the south by the waters of the Gulf of Cambay, on the north by the Gulf of Cutch, and on the west by the open sea. Along the Gulfs of Cambay and Cutch, siltation limits and controls to a great extent the prospects of the ports situated on their shores, though the waters of the Gulfs, with the innumerable creeks diverging from them, offer protection to shipping and opportunities for port development. The ports established on the west coast of the peninsula are open roadsteads with, in some cases, harbour facilities in varying stages of construction. The Gulf ports of Kathiawar are Bhavnagar, Bedi, and Navlakhi, while the west coast ports are Jafarabad, Verawal, Mangrol, Porbandar, and Okha.

285. The peninsula has a population of three millions and a substantial part of the trade handled at all these ports is local in character, but the importance of many of them to the present Government of India, as to the future Federal Government, lies in the fact that they are in rail connexion with other wide areas and populous centres for whose trade they can and do successfully compete. The extent and importance of this railway connexion are made very clear in the map which we have caused to be prepared in order to illustrate the position of ports in Indian States in relation to India's railway system. The route from Kathiawar to Delhi is not only shorter than that from any other port to India's capital but also obviates the necessity of change of gauge and transshipments in the case of goods destined for Rajputana or other places on the metre gauge system. The area served by this system is very considerable.

286. The extent to which the States have availed themselves of their opportunities to levy and retain sea customs duties at their own ports, combined with their successful competition for trade in the interior, has had so great an effect upon the trade of the Kathiawar ports that we feel it essential to give some account of the customs rights asserted or admitted in respect of these before proceeding to describe the circumstances and trade of each port in detail.

287. For 80 years or more the Government of India had been exercised over the question of reconciling their policy of free trade between the States of Kathiawar and British India with their desire to protect the revenues derived from customs duties on imports from overseas. Before railways were developed in Kathiawar the existence of ports in the States did not seriously affect the fiscal interests of the Government of India, and by a Notification issued in 1865 that Government declared the various

ports in the territories of Baroda and Bhavnagar to be British ports for the purpose of certain sections of the Sea Customs Act. The effect of this declaration was to put these ports in the position of minor ports in British India, so that no duties were leviable on any trade between them and British Indian ports, though no drawback was allowable on goods charged with duty, etc., at British Indian ports and re-exported to the States. The two States concerned undertook to levy duty on foreign imports at not less than British Indian rates, but no other States in Kathiawar were bound by any such obligation. In 1878 a revised Sea Customs Act was passed and included a provision for free transshipment of dutiable goods. The Act gave power to the Governor-General in Council to prohibit transshipment to any specified ports and in pursuance of this power a Notification was issued on 7th May, 1879, prohibiting transshipment to all Kathiawar ports, except Bhavnagar which had certain privileges by Treaty. Transshipment to non-prohibited areas could always be refused under the new Act at the discretion of the Collector and this discretion appears to have been exercised from time to time against Bhavnagar.

History of Viramgam Line from 1905 to 1917.

288. From 1882 to 1894 the general tariff in British India was in abeyance and the protection of the Government of India's fiscal interests was a matter of minor importance. After its reimposition, the Kathiawar sea-board began to be linked up by rail with the British Indian railway system and the danger of competition from the Kathiawar ports engaged the Government of India's attention. Discussions with the States ensued as to the methods of protection to be adopted, and the suggestion by the Government of India that it should take over the customs administration of the ports and pay the net revenues to the States was rejected. Meantime the smuggling of silver (then a dutiable article) from Muscat into Kathiawar brought matters to a head, and it was decided to impose a line of customs stations from the Gulf of Cambay to the Rann of Cutch along the British Indian frontier of the Kathiawar States. This cordon, which was known as the "Viramgam Line," came into being in January, 1905, and duties at British Indian rates were charged on all goods crossing it into British India.

289. The Viramgam Line was naturally unpopular with the States, and, in the very year of its imposition, the Government of India offered to abolish it on the following conditions :—

(i) that the Darbars would undertake to levy, at all their ports, customs duties not lower than those enforced simultaneously at ports in British India by the Indian Tariff Act, 1894, and any other Act prescribing imposts on the import or export of merchandise, *e.g.*, the Tea Cess Act ;

(ii) that they would levy duty, at rates not lower than those for the time being in force in British India, on cotton goods or other similar excisable articles produced or manufactured within their territories ;

(iii) that they would undertake to enforce the tests and regulations which are enforced at British Indian ports in accordance with the Indian Merchandise Marks Act and similar enactments ;

(iv) that they would absolutely prohibit the importation at their ports of arms, ammunition and warlike stores, as well as of any articles in respect of which a prohibition against import into British India is issued under competent authority ;

(v) that the existing arrangements as regards salt, opium, spirits and other exciseable articles would not be disturbed ;

(vi) that the Darbars would maintain accurate statistics of the trade passing through their ports and would place these statistics at the disposal of Government ; and

(vii) that they would agree to the periodical inspection, by a customs officer in the service of Government, of the accounts and arrangements at their customs houses.

290. The States were unwilling to accept condition (vii) and the Viramgam line remained in being until 1917. In that year the Government of India finally gave way on this point, but reiterated the other six conditions, which represented the extreme limit to which they were prepared to go to meet the wishes of the Darbars. If these conditions were accepted, the States were not only to receive the privilege of British ports in respect of coasting trade but were to be allowed to receive the duty on all articles of foreign origin which were imported into British India from the States by land, and the Government of India was not to levy duty on goods which were the produce of, or were manufactured in, the States, when imported into British India across the land frontier. It was made clear that this concession must not be construed as amounting to an abandonment of the undoubted right of the Government of India to levy duty on all goods imported into British India, whatever might be the origin of such goods and by whatever route they might be imported. But while this prerogative would be upheld, the Governor-General in Council would be prepared to guarantee that it would not be exercised so long as the States abided loyally by the terms of the proposed arrangement. If they did not, and if in any State at any time such grave maladministration were discovered as to jeopardise imperial interests, the Government of India would retain the power to take any measure necessary to protect those interests. The smuggling of arms was especially a matter of concern to the Government and it was hoped that the Darbars would recognise the need of securing a rigid adherence to condition (iv) of the agreement. It was also to be clearly understood that if at any time in the future, by the creation of a port capable of accommodating large vessels or otherwise, the fiscal interests involved became very important, the Government of India would reserve the right to reconsider the position generally.

291. The above-mentioned terms were accepted by the maritime States concerned, though His Highness the Jam Sahib of Nawanagar asked for further information as to the meaning of the expression

“ if at any time in the future the fiscal interests involved become very important,” since he was anxious to secure that his acceptance of the conditions should not “ interfere with a healthy development of our resources to the extent of their natural capacity.” He received a reply to the effect that the Government of India had no intention of imposing conditions which would have that effect, and this letter has since given rise to a controversy between the Jam Sahib and the Government of India. This controversy is now *sub judice* and we therefore make no further reference to it except to point out that the Jam Sahib's rights are at the moment undefined. The cordon was withdrawn in 1917, and on 15th June, 1918, the prohibition on free transshipment was modified so as to allow of it in the case of goods carried by steamer (but not by sailing vessel) from Bombay or Karachi. Further, the Notification of 1865 in respect of Baroda, Bhavnagar and Cambay ports was supplemented by a Notification, dated 22nd December, 1917, directing that the ports of Junagadh, Porbandar, Jamnagar and Morvi should be treated for the purpose of the levy of customs duties in the same way as British Indian ports.

Development of Kathiawar Trade after abolition of Viramgam line.

292. The existence of war conditions prevented any immediate developments as a result of the removal of the Viramgam line, and it was not until 1923 that attention was called to the fact that matches, sugar and silk were being transhipped in large quantities at Bombay to Kathiawar, and were coming back by land to various parts of British India where they were being sold at prices with which goods imported *via* Bombay could not possibly compete. It was ascertained that most of the trade was passing through Bedi Bandar (Jamnagar) in Nawanagar State, and the Bombay Government in September, 1923, authorised the Collectors of Bombay and Karachi to refuse free transshipment to that port. A warning was also issued by the Bombay Government to the Darbars of Porbandar and Morvi, and the Bhavnagar Council of Administration was asked for an explanation in connection with certain allegations which had been made against them. The Bombay Government considered that drastic steps were not yet necessary and they undertook to watch developments, reserving measures of retaliation until the necessity for them should arise. Meantime the Jam Sahib protested vigorously against the prohibition of free transshipment to his Jamnagar port. Acting on the advice of the Bombay Government, the Government of India agreed to the removal of the embargo against Nawanagar, but transshipments continued to increase rapidly in number and in volume until, by the end of 1924, goods were also being transhipped to Kathiawar from Goa, Colombo and Aden.

The Mount Abu Conference and reimposition of Viramgam Line in 1927.

293. In the meantime new factors had arisen. The port of Okha in Baroda territory had been improved so as to provide accommodation for large ocean-going vessels and the facilities offered at Bedi

Bandar so extended that, in addition to the transhipment of cargoes carried by small vessels of the British India and Bombay Steam Navigation Companies, these ports were being regularly visited by direct steamers from Java and Europe. The Government of India held that, under the arrangements of 1917, it had become necessary for them to reconsider the whole position. To this end they decided that a conference should be held at Mount Abu, which the Rulers of the maritime States in the Western India States Agency were invited to attend either in person or by plenipotentiaries. The objects of the conference were :—

(1) to find a new arrangement under which the fiscal and other interests of British India would be reasonably safeguarded with due regard to all similar interests of the States and without recourse being had to the re-imposition of a land customs line between Kathiawar and British India ; and

(2) if, unfortunately, no such arrangement could be found, to consider what measures could be taken to reduce to a minimum the inconveniences that would be caused to Kathiawar and British India by the re-imposition of the Viramgam Line. The whole question of free transhipment was also to be reviewed, and the representatives of the Government of India were given full powers to arrive at a settlement that would be within the limits of these terms of reference if the representatives of the States were given similar powers.

294. Before the conference was held a memorandum was circulated to the States concerned as a basis for discussion. The first two paragraphs of the memorandum ran as follows :—

“ (1) The Government of India propose that, as an alternative to the re-imposition of the Land Customs Line, the States should agree to an arrangement under which the customs administration of the ports that remain open to foreign traffic, whether direct or by transhipment, should be handed over to Customs Officers appointed by and responsible to the Government of India, who will collect customs duties at British Indian rates, the proceeds being credited to central revenues in return for an assignment to each State (*see below*), the remaining ports being closed to such traffic. The Government of India have however authorised their representatives to consider modifications of such an arrangement.

“ (2) In arriving at a settlement, it will be borne in mind that the logical alternative to the re-imposition of the land customs line is an arrangement that would limit the aggregate of the States' shares in the customs collections to the amount leviable on goods consumed in Kathiawar States. In view, however, of the opportunities that were given to the States in 1917 and of the extent to which the States have taken advantage of those opportunities, the Government of India are unwilling to insist upon a strict application of the principle stated above. Their offer to those States that will accept the arrangement

stated in paragraph (1) is a guaranteed annual payment (for a term of years, at the end of which the arrangements will be revised) of a figure equal to (1) the highest amount collected by each State in any year up to and including 1925-26, *plus* (2) an allowance where necessary, in consideration of capital expenditure incurred from 1917 up to date on developments of their ports and railways serving the ports, *plus* (3) 10 per cent. of the total of (1) and (2): These terms are suggested in the event of States feeling themselves able to concur without modification in the arrangement outlined in paragraph (1). Should States be unable or unwilling so to concur, the terms suggested would require revision."

295. During the conference, which assembled in June, 1927, no State was willing even to discuss the proposal that the customs administration of ports open to foreign traffic should be handed over to customs officers appointed by, and responsible to, the Government of India, in return for a fixed assignment in the form of a guaranteed annual payment. This proposal was regarded as an encroachment on sovereign rights. It became evident that the States, although fully conscious that such an arrangement might not be so advantageous to them financially as the proposal in the memorandum, would be more likely to come to terms on the basis that they should continue to be responsible for the administration of their own customs, and that any allocation of customs revenue should not be a fixed annual payment, but should be dependent on the collections of each year in such a way that it would appear that actual receipts were equitably shared.

296. The following four main subjects were put forward at the conference for discussion :—

- (a) uniformity in the rates of customs duties (both import and export) at the ports of Kathiawar and of British India ;
- (b) uniformity in customs administration ;
- (c) police preventive work ; and
- (d) the allocation of customs revenue.

297. As regards (a), the case for uniformity was based on Article 7 of the Geneva Statute on the International Regime of Maritime Ports. The importance of the Statute to the foreign trade of India was readily recognised and the necessity for uniformity was not disputed.

298. As regards (b), it was explained that a uniform tariff would be meaningless if it were interpreted differently in different ports, and that the employment of British Indian customs officers at State ports was necessary for purposes other than the protection of the financial interests of the Government of India. Here reference was made to the growth of foreign trade and consequent need for uniformity in four important matters, *viz.*—the interpretation of the tariff, appraisement, the application of the law of Merchandise

Marks, and the enforcement of prohibitions and restrictions on import and export.

299. It had been found in British Indian ports that uniformity of administration could only be maintained by constant supervision and inspection, and it would therefore be a necessary condition of a customs agreement with the Kathiawar States that a similar uniformity should be maintained to the satisfaction of the Government of India at the State ports where there was foreign trade. After much discussion there appeared to be a general inclination to accept the necessity for uniformity of administration and to agree provisionally to an arrangement whereby officers of the British Indian customs service would be lent to the States for employment at those ports where there was foreign trade, and the States would periodically request the Government of India to lend the services of a competent officer, with an adequate staff, for inspection and audit.

300. As regards (c), the States recognised the importance to themselves and to India generally of efficient police supervision at ports which were in direct communication with foreign countries, and they were willing to co-operate in any measures that might be found necessary for this purpose. Without reflecting on the competence of their own officers, they were not disposed to dispute the necessity of special knowledge and experience. It was impressed on them that the requirements of the Government of India were that the States should employ such number of lent officers as might be the minimum essential, and should agree to the inspection of police arrangements by an officer appointed under the orders of the Government of India.

301. From the attitude of the States there was no reason to expect that there would be serious difficulty in arriving at an agreement on this basis. It appeared, however, that negotiations would be easier if these matters were discussed independently of the Agreement of 1917.

302. With regard to (d), the details of a financial settlement were discussed separately with each State. The instructions to the Government of India's representatives at the conference were that the maximum assignment for each State should be the highest amount of customs revenue collected in any year up to and including 1925-26, *plus* an allowance, where necessary, in consideration of capital expenditure incurred from 1917 up to date on the development of ports and railways serving the ports. Customs collections above an amount so fixed should be handed over to the Government of India.

303. On the ground that a port was a public utility work, and having regard also to the rate of interest payable on Port Trust loans in British India, the Government representatives calculated the allowance on capital expenditure at 6 per cent., the fairness of which was not disputed. A further allowance for depreciation was

suggested, but not pressed. On this basis, therefore, it was calculated that the maximum assignment in the case of each State would be —

Rs. lakhs.

State.	Highest amount of customs revenue up to and including 1925-26.	Allowance for capital expenditure.		Maximum permissible.
		Total expenditure from 1917 to date.	Allowance at 6 per cent.	
Baroda .. ..	..	65	3.9	3.9
Junagadh	8.4	28	1.7	10.1
Mangrol	1.5	..	..	1.5
Nawanagar	29.7	70	4.2	33.9
Porbandar	9.7	..	..	9.7
Morvi	1.8	..	..	1.8
Total	51.1	163	9.8	60.9

304. It was evident, however, that the permissible maximum calculated on this basis would not satisfy States like Baroda and Morvi, whose ports were not developed in 1925-26. The Government of India's representatives obviously could not propose a flat rate for each State calculated on the maximum permissible for Nawanagar. But they endeavoured to make a rough estimate which would provide for the normal increase of customs revenue following on the legitimate growth of traffic, with due regard to the natural capacity of each port. They proposed, therefore, to go up to the following maximum for each State :—

Rs. lakhs.

Baroda	20
Junagadh	12
Mangrol	2
Nawanagar	34
Porbandar	10
Morvi	6
	<hr/> 84 <hr/>

305. A relatively high maximum for Baroda seemed necessary in view of the extensive and populous territories of the State in other than its Kathiawar possessions, and of its claim to customs revenue on goods supplied to its own territories through its own port.

306. All States other than Nawanagar objected to the proposal that payments to each State should be stabilised on the basis of existing customs receipts, at a time when Bedi Bandar had developed

so greatly in advance of other Kathiawar ports. They urged that it should not be assumed that their natural capacity for development was less than that of Bedi Bandar. Whatever figure was, therefore, fixed for Nawanagar should be extended to all other States as a maximum up to which they should be permitted to develop. On the other hand, Nawanagar was unwilling to agree that the customs revenue of 1926-27 should be left out of account, arguing that the improvements at the port of Bedi Bandar only began to take full effect in that year, and that the natural capacity of the port was, therefore, represented more accurately by the figure of 1926-27 than by the figures of 1925-26.

307. As the States concerned were unable to agree amongst themselves and did not accept the proposals made by the Government of India, it was decided to re-impose the Viramgam line. This was done with effect from 4th July, 1927, the following special arrangements being made in order to reduce to a minimum hindrance to local trade and inconvenience to passengers :—

(i) The export tariff has not been extended to the land customs frontier ;

(ii) all goods produced in Kathiawar are passed free of duty on the land frontier. A regular system under which State officers can issue certificates for the purpose of satisfying customs officers on this point in respect of goods other than agricultural produce has been introduced, while agricultural produce is specifically exempted ;

(iii) *bonâ fide* passengers are allowed to import with them their personal and household effects free of duty, and each *bonâ fide* passenger is permitted to import free of duty a quantity of merchandise on which the total duty does not exceed Rs. 10.

308. The States concerned have accepted an arrangement by which their merchants enjoy the advantage of passing their goods over the land customs frontier without paying duty there and with the minimum of examination. The States have also agreed to refund to the Government of India the duty collected by them at British Indian rates on such goods as are loaded at the ports for passage beyond the land customs frontier. Certificates are issued by Darbars to cover consignments despatched by rail from their ports to British India, and these certificates form the basis for the recovery of duty from the States by the Government of India. It is claimed by the Government of India that, as a result of these arrangements, the passage of travellers and goods is not impeded by the imposition of the Viramgam Line in such a manner as to interfere with the natural development of the Kathiawar ports, and indeed it is a fact that the growth of trade has been continuous since the re-imposition of the line.

Protests of States and reply of Government of India.

309. In 1927-28 the States of Baroda, Nawanagar, Junagadh, Morvi, and Porbandar submitted memorials to the Government of India against the decision terminating the Agreement of 1917. The main arguments adduced by them were that they had abided

loyally by the terms of the 1917 Agreement, that they had zealously avoided all malpractices, and that it was unfair that the Government of India should re-impose the Virangam line. Orders were issued in September, 1929, rejecting these memorials. Subject to a qualification referred to below, the Government of India stated that the existing regime would be maintained at the land frontier in respect of goods imported from Baroda (Okha) and Nawanagar, since trade in foreign goods through the ports of these territories had reached the stage at which very important fiscal interests were involved. It recognised, however, that trade in foreign goods through the ports of Junagadh, Porbandar, Morvi and Janjira States had not yet passed beyond the stage at which the institution of arrangements for keeping a record of trade passing into British India, in order to see when the limit of important fiscal interests is reached, became essential. In these cases all that was required for the present was to secure registration of goods passing through its frontier after having been imported at the ports of these States. The Government of India accordingly decided to refund all the amounts of customs duty recovered from them under the certificate system and to refrain from submitting claims under that system in future, unless and until the traffic in foreign goods through any of these States so developed as to reach the stage in which the fiscal interests of British India were affected to an important extent.

310. In order to avoid any appearance of discrimination against Baroda and Nawanagar it was stated that a similar refund would be made to each of them of an amount equal to the highest amount refunded to any of the three Kathiawar States (Junagadh, Porbandar and Morvi) and, in adjusting future accounts, each of these States would be allowed a credit (against the debits raised under the certificate system) equal to the highest amount of duty foregone in favour of any of the three other named States in the same year. It was further laid down that a maximum limit of Rs. 2 lakhs would represent the point beyond which the fiscal interests of Government were held to become "very important"; that is to say, as long as the customs duties on goods imported by any State and crossing the Virangam Line did not exceed Rs. 2 lakhs per annum, the State would be allowed to retain the duties; but once the limit of Rs. 2 lakhs had been in any year exceeded, this concession would be withdrawn.

311. Lastly, if any State, on a misunderstanding of the significance of the arrangement of 1917, and on an expectation of the continuance of the revenue from customs, had, before 1927, incurred heavy capital expenditure, the Government of India would consider a claim from the State for some lump sum contribution towards the excess capital expenditure. Any such claim would have to be based upon the actual expenditure incurred, and would only be admitted in so far as it related to expenditure that had proved uneconomical as a result of the arrangements made by the Government of India in 1927 and the consequent frustration of expectations which were felt when the expenditure was incurred. Thus both the return which had already been enjoyed before July, 1927, and also the return which the States continued and would continue to enjoy from the expansion of the trade of their ports within Kathiawar, would have to be taken into account.

The Viramgam Line and Treaty Rights of Bhavnagar.

312. Reference has already been made to the fact that in 1865 the States of Baroda and Bhavnagar were admitted as members of the British Indian customs union. Bhavnagar, however, had already acquired, in respect of her principal port, rights of such importance that the State now stands on a footing different from that of any other Kathiawar State. Its case therefore calls for separate exposition.

313. The earliest customs agreement with this State was concluded in 1860 and is of special interest in that it provides that the port dues and customs at the port of Bhavnagar should be collected by the Government of India and that two-fifths of the net customs collections should be retained by them. The Government of India also agreed, in consideration of Bhavnagar abandoning certain claims to land customs duties, to limit its customs rights there to "two-fifths of the net customs hereafter to be collected on trade to and from other than British ports on the continent of India," thus permitting the retention by the State of all customs duties on coastal trade.

314. The agreement of 1860 was revised in 1866, when it was agreed that customs and port dues at Bhavnagar would in future be collected by the Darbar instead of by the Government of India. The latter also abandoned its remaining right to two-fifths of the customs collections on foreign trade in return for the surrender by the Darbar of its right to compensation (Rs. 2,793) for abolition of its mint, and of certain other rights valued at Rs. 6,890. In the agreements, both of 1860 and 1866, "Government agree to admit Bhavnagar to the full benefits of a British Port, so far as the Thakore may desire." In 1865 the Bhavnagar ports were notified as customs ports, and the Bhavnagar Darbar, in their memorandum submitted to us, refer to this arrangement as a "solemn agreement entered into with Government."

315. After the first establishment of the Viramgam line in 1904, the claims of Bhavnagar to be in a position preferential to that of any other maritime State led to prolonged controversy. In fact the question had arisen as early as 1893. The Darbar based their claims on their right, acquired by the agreements of 1860 and 1866, to "the full benefits of a British Port." The Government of India were of opinion that this assurance "had reference solely to the trade of Bhavnagar by sea" and "as a matter of legal construction" did not preclude the Government of India from taxing, at its land frontier, goods imported *via* Bhavnagar port. The then Secretary of State, Lord Morley, was however unable to agree with this view and ruled that "so long as His Highness fulfils his part of the agreement, it is not open to Government to hinder or tax the land trade of Bhavnagar by the establishment of a customs line." Thus Bhavnagar port now occupies a position unique among the ports of Indian States. But this ruling did not apply to the minor ports in the State, in regard to which Lord Morley held that the Government of India was not committed to a formal agreement in consideration of value received, as in the case of Bhavnagar port itself.

316. Before the question of reimposing the Viramgam line came under consideration in 1927, the Government of India made a special reference to the Secretary of State about the minor ports of Bhavnagar. It was desired, *inter alia*, to make it clear to the Bhavnagar Darbar at the Abu Conference that the arrangements made in 1865 regarding the minor ports "do not, in the changed circumstances, prevent us from reconsidering the position in regard to these ports and, in the last resort, imposing a customs barrier against goods imported through them." The Secretary of State concurred in this view.

317. In the administrative arrangements made in connexion with the reimposition of the Viramgam line, provision was made for all goods imported *via* all Bhavnagar ports to be passed free into British India, but the Government of India was most careful to discriminate between Bhavnagar port itself and the minor ports of the State. It was made clear that what was a permanent right for the former was nothing more than an administrative arrangement for the latter. The Bhavnagar Darbar did not fail to protest against this discriminatory attitude, and objected to the announcement that "for the present" no distinction will be made between the chief port and the minor ports of Bhavnagar. They asked that the words "for the present" should be withdrawn. The Government of India in reply requested the Agent to the Governor-General to explain to the Darbar the distinction drawn by Lord Morley between the Bhavnagar port and the minor ports and added that "they might at the same time be assured that the Government of India have no intention of modifying the arrangements regarding the minor ports unless some unforeseen contingency which necessitates this action arises." But the memorandum submitted to us by the Bhavnagar Darbar cannot be said explicitly to recognise this distinction which, though of minor significance at the present time, may become of vital importance in the not far distant future.

Physical characteristics and trade of the Kathiawar Ports.

318. Having now explained the circumstances governing the customs rights of the Kathiawar maritime States in respect of their ports, we pass on to make brief reference to the conditions obtaining at each of those ports, taken in the order of their geographical position from the Gulf of Cambay to the Gulf of Cutch.

BHAVNAGAR.

319. Half-way up the Gulf of Cambay on its western side lie the port and town of Bhavnagar, the capital of the State of that name. The Gulf is defined by low-lying banks of alluvial origin and is characterised by a very great range of tide, attaining as much as 40 feet at Bhavnagar, which is situated on a creek several miles from the open waters of the Gulf. The port facilities comprise an anchorage eight miles or more from the port proper, between which and large vessels at the anchorage goods are moved in lighters, while the port itself can accommodate small coasting steamers which lie on the mud at low tide. There is ample warehouse accommodation and good direct railway communication with the whole of India.

In 1930-31, 59 ocean-going steamers and 3,710 coasting steamers and other craft called at the port. The volume of trade and amount realised in customs duties at all Bhavnagar ports is as shown below :—

		<i>Value of Imports.</i>	<i>Value of Exports.</i>	<i>Customs duties on Imports.</i>
		<i>(Rs. lakhs).</i>		
1926-27	.. ..	240.36	201.61	9.18
1927-28	.. ..	300.83	388.86	19.32
1928-29	.. ..	349.55	299.39	28.56
1929-30	.. ..	216.47	200.40	39.39
1930-31	.. ..	239.99	147.61	51.05

In 1930-31 the value of sugar imports was Rs. 35.27 lakhs.

JAFARABAD.

320. Janjira State, situated on the seaboard south of Bombay, possesses a small area of territory in Kathiawar, centred upon the town and port of Jafarabad. It is a beach port without any facilities for ocean-going traffic, and steamers calling there anchor in open roadstead. But it maintains a coastwise food-stuff trade of considerable importance, carried, as for centuries past, in dhows. The port is closed during the monsoon, when the dhows registered there take refuge in a convenient creek.

321. The value of trade and of the customs duties, which are levied upon foreign trade only, is :—

	<i>Value of</i>	<i>Value of</i>	<i>Customs Duties.</i>
1930-31 ..	Rs. 6,25,803	Rs. 7,03,829	Rs. 45,947

VERAWAL.

322. The port of Verawal in Junagadh consists of a good roadstead anchorage, with two masonry piers built out at right angles to the shore, the larger, on the western side of the port, being a substantial structure carrying a railway track and crane, and admitting of small craft coming alongside to the landing stage at all states of the tide. The harbour equipment comprises, in addition to the structural work on the piers, good warehouses, a small dredger, a crane, launches, etc., and a scheme is on foot for completing a small harbour for lighters, etc., which would cost some Rs. 40 lakhs, in addition to the Rs. 40 lakhs already spent on existing facilities. The port has direct connection with the Junagadh State Railway and, although goods are at present landed from ocean-going steamers in the roadstead by lighters, there are no special difficulties in dealing with commodities of ordinary size, these being manhandled across the beach to the railway at moderate charges. The port is closed during the monsoon. During the last two years there have been about 32 ocean-going and about 162 coasting steamers calling in each year. The import traffic consists chiefly of sugar, rice, cotton seed and miscellaneous manufactured goods, while the export traffic is principally of cotton, ground nuts, bananas, onions, and other agricultural produce.

323. Below is given a statement of the value of Verawal's foreign trade and of the foreign customs collected thereon.

	<i>Value of Foreign Imports.</i>	<i>Value of Sugar Imports.</i>	<i>Customs Duties on Imports.</i>	<i>Value of Foreign Exports.</i>
	(Rs. lakhs.)			
1926-27 ..	27.47	11.16	5.62	1.07
1927-28 ..	23.09	7.19	5.01	3.08
1928-29 ..	28.02	14.06	8.66	30.02
1929-30 ..	25.56	10.75	9.93	22.24
1930-31 ..	28.92	12.11	13.71	16.39

324. The marked increase in the value of exports in the years 1928-31 is due to heavy shipments overseas of ground nuts and ground nut seeds. A great part of the export traffic leaves by coasting steamer and is transhipped at Bombay or Karachi. As regards exports, since the only duty realised is a local State duty, it is not necessary to give customs figures. It will be seen, therefore, that the import duties now being realised have for the last three years averaged about Rs. 10 lakhs per annum, but here the progressive increase must be attributed largely to the increased consumption of sugar and the higher duty on it. Any traffic from Junagadh State ports to British India which crosses the Viramgam Line is, under existing arrangements, liable to be debited with British India duty to the extent and under the conditions which we have detailed above. The volume of such through traffic is, however, comparatively small, the amount of duty thereon for the year 1930-31 being Rs. 1.9 lakhs.

MANGROL.

325. The port of the very ancient city bearing the same name, which is said to be identical with the Monoglossum of Ptolemy, consists of an open roadstead with one masonry pier, against which small craft can lie at all states of the tide, but there is no railway connexion and the warehouse accommodation and other port facilities are on a meagre scale. The port cannot be used during monsoon months. The inward traffic consists chiefly of sugar, rice, and miscellaneous manufactured articles, and the outward traffic of agricultural produce, which moves principally to Karachi and the Persian Gulf. There is a bi-weekly service of coasting steamers and, in addition, 12 foreign-going vessels called in 1930-31. We were informed that about Rs. 1.65 lakhs had been spent on harbour facilities up to the present, and that the customs realised on imports during the last five years had been :—

	Rs.				
1926-27	24,283
1927-28	31,546
1928-29	33,879
1929-30	52,119
1930-31	1,18,465

Here sugar is again the most important item, having provided, in the year 1930-31, Rs. 1,08,192, or all but Rs. 10,000 of the total amount realised.

326. If any of Mangrol's traffic passes over the Viramgam Line, which is very doubtful, its customs value is far below the maximum limit of Rs. 2 lakhs. In any case it would, failing a contrary ruling, be included in the total for Junagadh, to which State Mangrol is politically subordinate.

PORBANDAR.

327. The harbour of Porbandar is an open roadstead but with coral reefs protecting the inner harbour, which consists of a tidal creek capable of receiving all small craft and well provided with warehouse accommodation and railway connections. A dredger is employed, of the rock-breaking type, and there should be no difficulty in making a good entrance to the inner harbour, though it seems extremely unlikely that large ships would ever be able to take advantage of these facilities. In 1930-31, 304 steamers called at the port and a large number of dhows are registered here. There is a considerable traffic, which includes passenger traffic, with East Africa ; the imports comprise sugar, rice, dates, grain, cotton seed, timber and oil, and the exports, cement, stone, cotton, fruit and agricultural produce. The harbour is closed during the monsoon.

The value of the trade is as shown below :—

	<i>Imports.</i>	<i>Exports.</i>	<i>Customs duties</i>
	<i>(Rs. lakhs.)</i>		<i>on imports.</i>
1926-27	86.35	81.6	3.64
1927-28	80.51	77.73	4.49
1928-29	96.51	85.71	4.42
1929-30	84.05	55.92	5.58
1930-31	78.61	48.42	5.06

328. The amount of customs duty on goods imported at Porbandar and passing through the Viramgam Line has not yet approached the maximum limit, so that the whole of these duties are retained by the State.

OKHA.

329. Port Okha, situated in a detached portion of Baroda State far distant from the Gaekwar's main territories, is wholly dissimilar from all other Kathiawar ports. It is not, like them, an evolution, from beginnings lost in antiquity, of the food-stuff trade which they still conduct. It is an entirely modern conception, begun and completed with great enterprise, for the express purpose of dealing with ocean-going traffic in commodities unconnected with the trifling requirements of the scanty population of Okhamandal. It lies in a strategic position at the extreme north-west point of the Kathiawar peninsula, readily accessible to all steamers trading along that coast. The harbour scheme has been well designed ; there is an excellent ferro-concrete jetty, served by railway lines and cranes, alongside which two large vessels can lie at all states of the tide, and there are also swinging moorings for other vessels in a protected position. The harbour is well lighted ; the warehouse

accommodation and railway connection are all excellent ; and the lay-out of the administrative buildings and residential quarters is well conceived and executed. The port is available, even to large ships, at all states of the tide and at all seasons of the year. The disadvantages are that the approach channel from the sea is circuitous and not devoid of risk, and that Okha is far removed from the large centres of population, being 231 miles from Wadhwan Junction, through which railway centre its traffic must pass. In 1930-31, 34 ocean-going steamers and 214 coasting steamers visited the port. The total capital expenditure, up to 31st July 1931, has been Rs. 38.93 lakhs. From the administrative standpoint also there is small room for criticism, the accounts being well designed and well kept and the annual Administration Report an excellent and informative document. Ultimately it is hoped by the State authorities that this port will be financially self-supporting and this goal is kept in mind.

330. The following are the figures of imports and exports and customs duties realised.

			<i>Value of Imports.</i>	<i>Value of Exports.</i>	<i>Customs duties on Imports.</i>
			<i>(Rs. lakhs).</i>		
1926-27	..	..	29.79	.008	5.93
1927-28	..	..	75.02	18.29	9.93
1928-29	..	..	93.94	29.23	11.77
1929-30	..	..	92.64	11.84	12.8
1930-31	..	..	60.25	12.12	14.65

331. The principal items of import are china clay, dyes, textile machinery, iron and steel, railway plant, motor cars, starch and sugar ; of export, seeds and cotton. Sugar is responsible for more than one-third of the total customs duties realised. The proportion of Okha trade passing the Viramgam Line is high, having averaged Rs. 10 lakhs for the two years 1929-30 and 1930-31.

BEDI.

332. The principal port in the State of Nawanagar is Bedi Bundar, situated a few miles from the city of Jamnagar, at the head of a tidal creek some eight miles long, near the mouth of which is the roadstead called Rozi, in which ocean-going vessels lie at anchor. For steamers of any size Bedi offers no port facilities in the generally accepted sense of the term. Such vessels do, and always must, cast anchor miles from Bedi itself in the uncertain waters of the Gulf of Cutch—uncertain because of siltation and the constantly shifting mud banks.

333. The tidal creek connecting the Gulf with Bedi contains but little water at low tide, and no dredging could compete with the siltation to which the creek is subject. What has been done by the enterprise of the present Ruler, assisted by competent advisers, is to construct at the head of the creek a spacious basin equipped with excellent warehousing accommodation and railway connections,

offering facilities to merchants for the effective conduct of extensive trade. Goods are transhipped between this basin and steamers lying in the Gulf by means of lighters of modern type, which are towed up and down the creek by well-equipped tugs, as the state of the tide permits. These lighters and tugs are so constructed as to lie without damage or inconvenience on the bottom of the basin when the tide runs out. The total capital expenditure on Bedi Bandar and the beach port of Rozi up to May, 1931, has amounted to Rs. 113.06 lakhs. The port is open at all seasons of the year.

334. In 1930-31 there were 697 vessels calling at the port, including coasting vessels. The consistent encouragement of the Ruler, and the number and importance of the merchant class in Jamnagar with their trade connections at other places in Kathiawar and beyond, have all assisted in developing a very large and important traffic.

The figures are as given below :—

			<i>Value of Imports.</i>	<i>Value of Exports.</i>	<i>Customs duties on Imports.</i>
			<i>(Rs. lakhs).</i>		
1926-27	..	..	244.2	36.69	78.9
1927-28	..	..	215.2	69.5	58.1
1928-29	..	..	256.9	143.2	79.3
1929-30	..	..	278.6	99.4	98.1
1930-31	..	..	241.7	71.3	155.8

335. Out of the customs duties realised, the amounts debited at Viramgam and subsequently refunded have been Rs. 34.42 lakhs in 1927-28, Rs. 62.22 lakhs in 1928-29, Rs. 75.15 lakhs in 1929-30 (of which Rs. 71.63 lakhs is on account of sugar) and Rs. 111.81 lakhs in 1930-31 (of which Rs. 110.10 lakhs is on account of sugar). No merchandise is handled at Rozi. Its landing stage, connected by road and rail to Jamnagar, is used exclusively for mails and passenger traffic to and from Cutch.

NAVLAKHI.

336. The principal port of the State of Morvi is Navlakhi, which is curiously situated on a spit of land in a tidal creek within the Little Gulf of Cutch. The lay-out of this port is somewhat cramped, and large vessels can only come within a mile or so of the port when the tide is suitable, after negotiating mud banks at the entry to the Little Gulf. However, as the port is not exposed, it can be kept open throughout the year. There is fairly extensive warehouse accommodation and direct railway connexion with Morvi City, and crane facilities are being provided, while there is no lack of tugs and lighters to handle cargo from ocean-going steamers. Some Rs. 25 lakhs have already been spent in developing the port and about Rs. 9 lakhs more are now being expended. In 1930-31 there

was a total of 45 vessels calling at the port. The value of the trade and the customs duties realised is as given below :—

	<i>Value of Imports.</i>	<i>Value of Exports.</i>	<i>Customs duties on Imports.</i>
	<i>(Rs. lakhs).</i>		
1926-27	8.85	7.34	1.49
1927-28	12.72	9.01	1.40
1928-29	25.91	20.52	2.41
1929-30	12.34	19.54	1.85
1930-31	43.34	13.03	4.63

Of the total customs collected, the amount registered at Viramgam was Rs. .33 lakhs in the year 1930-31, out of which total sugar was responsible for Rs. .21 lakhs.

Extent of immunity from contribution to central revenues, 1930-31.

337. We have now dealt with all the principal ports of Kathiawar, but our list by no means embraces all places on that long coast-line at which sea-borne goods are landed and shipped. In the trade and customs figures given, we have, however, included under the principal port of each State the figures for the minor landing places within that State, so far as information was available to us.

338. The following table gives a summary of the figures (1930-31) for those States which are subject to the orders arising out of the re-establishment of the Viramgam Line :—

	<i>Value of Foreign Imports.</i>	<i>Value of Exports.</i>	<i>Customs duties on Imports.</i>	<i>Amount retained by State.</i>
	<i>(Rs. Lakhs).</i>			
Janjira (Jafarabad)	6.25	7.03	.45	.45
Junagadh	28.92	16.39	13.71	13.71
Mangrol	not available		1.18	1.18
Okha (Baroda)	60.25	12.12	14.65	3.80
Porbandar	78.61	48.42	5.06	5.06
Nawanagar	241.70	71.30	155.80	44.00
Morvi	43.24	13.03	4.63	4.63

It is the figures given in the last column which, while the Viramgam Line is maintained, are those to be considered as defining

the extent of the immunity which the States, with the exception of Bhavnagar, enjoyed in 1930-31 from contribution to central revenues. Mangrol is not grouped with Junagadh, for the reason that the customs collections at Mangrol port are not received by Junagadh State. It will be noticed that the Viramgam refund system has come into application in the cases of Nawanagar and Baroda only.

339. As has already been shown, the customs collections at Bhavnagar are entirely retained by that State. They amounted in 1930-31 to Rs. 51.05 lakhs, and it is that sum which represents the value, for that year at any rate, of Bhavnagar's "existing rights", as well as the extent of its immunity from contribution to central customs revenue.

340. Including Bhavnagar's imports and exports, valued in 1930-31 at Rs. 387.60 lakhs, and including an estimate of Rs. 5 lakhs for Mangrol, the total value of foreign trade passing through Kathiawar States ports in 1930-31 was about Rs. 1,020 lakhs, Bhavnagar and Nawanagar between them accounting for nearly 70 per cent. of the total. But, considerable though the trade of the Kathiawar States ports is, the figures given for 1930-31 only represent 2.94 per cent. of the foreign trade of all India in the same year.

341. The whole customs revenue of the Kathiawar ports (including Bhavnagar) for 1930-31 was Rs. 246.53 lakhs. Of this total Rs. 122.65 lakhs were recovered for central revenues at the Viramgam Line and Rs. 123.88 lakhs remained in possession of the States, of which about 41 per cent. represented the share of Bhavnagar and about 36 per cent. the portion retained by Nawanagar.

The Viramgam Line and future customs arrangements in Kathiawar.

342. We have stated the extent of the States' immunity in 1930-31 from contribution to central revenue with the Viramgam Line in operation. The States affected have without exception entered strong protests against its reimposition. They do not suggest that the imposition of a customs barrier between themselves and British Indian territory is in itself irregular—indeed the indisputable sovereign rights of the Government of India would forbid any such suggestion—but they hold that its reimposition is in contravention of the Agreement of 1917.

343. We have referred to the appeal which His Highness the Jam Sahib has lodged with the Secretary of State; but it is necessary for us to consider, apart from this case, what the value of the customs rights of these States is likely to be in different contingencies. If as the result of the appeal the orders passed by the Government of India in 1927 are upheld, it is understood that the Agreement of 1917 lapses as a whole, and that the Kathiawar maritime States are released from their undertaking to levy customs duties at their ports at rates not less than those for the time being fixed for British Indian ports. So long as the States decline to accept the reimposition of the Viramgam Line as final, they

regard the Agreement of 1917 as still in force and will not take advantage of any remission of restrictions by which they now hold themselves to be bound. But, if the Viramgam Line of finally established, the incentive to a tariff war for the trade of Kathiawar between the port-owning States will be very strong and they will be at full liberty to engage upon it. The representatives of one State informed us of their intention to attract import trade by cutting their tariff as soon as the restrictions imposed by the Agreement of 1917 could be regarded as null and void, and it only requires one State to initiate such a policy for all to follow suit. Already there are sufficient complications in Kathiawar arising from the divided ownership of the railways which, within prescribed limits, enables some maritime States to offer better terms to import trade than others. If to this a tariff war is added, any figures we might give as an estimation of customs rights, and of the immunity from contribution to central customs revenue could have no value.

344. Kathiawar does not however consist only of the maritime States we have mentioned, but includes also the inland States of Dhrangadhra, Dhrol, Gondal, Limbdi, Palitana, Rajkot, Wankaner, Wadhwan and many other States with a total population of 1,439,000, as compared with the 1,695,000 population of the States on the sea-coast. As the Viramgam Line is on the inland side of the Kathiawar States taken as a whole, or in other words, along the British Indian frontier, the ports of Kathiawar have full and free access to the non-maritime States above mentioned as well as to their own territory. The duties which are ultimately borne by the population of the non-maritime States thus pass into, and are retained in, the coffers of the maritime States. The effect of this is that the inland States, drawing, as they naturally do, their overseas imports from the nearest ports, are disabled under existing arrangements from making any contribution to central customs revenue, an invidious position for them to be compelled to occupy and one which, on the principles explained in our concluding Chapter, involves a debit being raised against them as possessing a full immunity in this respect.

345. If we cannot assume the retention of the Viramgam Line under Federation and have no means of knowing whether such an accommodation will be reached as will enable the line to be removed, we are confronted with the necessity of considering the effect of its advancement to the inland borders of the maritime States, thus enabling the inland States to make their full contribution to the central customs revenue. We are aware that this could only be accomplished with the consent and co-operation of such inland States as might be concerned (though their entry into Federation would imply such consent and co-operation), and we desire to emphasize our dislike equally of the retention of the Viramgam Line as now established and of its erection elsewhere under any other name. But, to give some idea as to what amount of customs duties would be retained by the maritime States on the

basis of 1930-31 figures under each of the three alternatives, we append the following table :—

	<i>Maintenance of Viramgam Line as now existing.</i>	<i>Abolition of Viramgam Line.</i>	<i>Establishment of Customs barrier between Mari- time and Inland States.</i>
	<i>(Rs. lakhs.)</i>		
Bhavnagar	51.05	51.05	51.05
Janjira (Jafarabad) ..	.45	.45	.37
Junagadh	13.71	13.71	16.71
Mangrol	1.18	1.18	.75
Porbandar	5.06	5.06	3.55
Baroda (Okha)	3.80	14.65	5.39
Nawanagar	44.00	155.80	12.57
Morvi	4.63	4.63	3.46
Totals	123.88	246.53	93.85

The last column is calculated on the assumption that imported goods for use within a State are all imported through that State's own ports and that sea customs duties in respect thereof are retained on the basis of the population of that State alone. In the case of Baroda the calculation is made on the basis of that State's Kathiawar possessions only. Bhavnagar's privileged position renders that State immune from the effect of customs barriers. If Bhavnagar's retention of customs duties was based upon the population of that State, the sum which it would retain on the basis of 1930-31 figures would be Rs. 15.33 lakhs.

(3) Other Maritime States.

346. We have now completed our survey of the two main groups of Indian States ports—the group in South India and the Kathiawar group—and pass to the ports of maritime States not included in either of these groups.

CAMBAY.

347. At the head of the Gulf of Cambay lie the State and port of that name, encircled by the Gujerat territories of British India. In bygone years the port of Cambay was reckoned as one of the chief ports of India, but the inexorable processes of siltation have reduced its present-day importance to very small proportions, and it is now practically inaccessible to shipping other than country craft. The present Nawab and his advisers are anxious to retrieve some of the ancient glories of the port, but such a policy would clearly entail heavy expenditure with no very adequate prospect of

success. Under an agreement concluded in 1885 the then Nawab agreed to adopt the British Indian customs tariff and rules of administration, and to permit a full measure of inspection. Under an older treaty the East India Company had acquired a nominal half share in the sea and land customs of Cambay, which had previously belonged to the Peshwa. The agreement of 1885 contained a clause by which the British Indian share in the sea customs was commuted for an annual payment of Rs. 200, but a supplementary declaration waived this right in consideration of the conclusion of the main agreement.

348. By virtue of an arrangement arrived at in 1865 the port of Cambay was then notified as a customs port for purposes of the levy of customs duty and the conduct of coastal trade. The result of this is that no duties are levied on any trade between British India ports and Cambay, but that no drawback is allowed on goods charged with duty at a British Indian port and re-exported to Cambay. Free transhipment at British Indian ports of foreign cargoes consigned to Cambay is not allowed. There is no discrimination against Cambay in this. The law makes the grant of permission to tranship goods discretionary, no matter whether the goods are consigned to a foreign or to a customs port. Transhipment of dutiable goods to any customs port on the Bombay coast south of Kathiawar (except Bombay itself) is not allowed, and many more British than State ports are affected by this prohibition. This longstanding practice, which was confirmed by a Notification of the Government of India issued in 1927, is justified on two grounds, firstly, the administrative difficulty in equipping all these minor ports with a staff competent to deal with the whole of a complicated tariff and not merely the special classes of goods that are normally imported direct, and secondly, the risk of smuggling which arises from the fact that the bulk of the traffic is, and in many cases must be, carried coastwise by country craft. The customs collections at the port of Cambay now average about Rs. 9,000 per annum, which sum represents the extent of the State's immunity from contribution to central customs revenue.

JANJIRA.

349. The State of Janjira, on the sea-board south of Bombay, possesses in Kathiawar a small area of territory at Jafarabad, which has already been described in para. 320. The parent State is encircled by British Indian territory and has no rail connexions with that territory. Its port trade is wholly local. By an agreement concluded in 1884 the Nawab agreed to adopt the British Indian tariff and customs system at his ports and to assimilate port dues to the scale in force at neighbouring British ports. He also agreed to give full facilities for the inspection of his customs houses by the Political Agent, and to abolish land customs and transit duties. In return for these concessions the land customs cordon hitherto maintained against the State was removed, no duty was required to be charged on articles imported at Janjira ports for the use of the Nawab and his family, and the Government of

India undertook to pay annually to the Nawab a sum of Rs. 13,000. This compensation was not only in respect of the customs arrangements referred to above, but also in respect of an undertaking to prevent all contraband trade and smuggling of salt, opium and liquor, and to suppress salt manufacture and the import of untaxed salt. The customs collections at the Janjira ports have averaged about Rs. 20,000 per annum during the last five years, and this sum represents the extent of the State's immunity from contribution to central customs revenue.

SAVANTWADI.

350. This State has a considerable land frontier with Portuguese Goa and, though it has no sea frontage, is a maritime State in a limited sense, in that it has access to the sea by the creek of Terekhol. By an Agreement concluded in 1838 the Ruler renounced all claim to the sea and land customs which he had hitherto levied, and made over to the East India Company's Government the right of establishing customs posts on his frontier as well as at the port of Banda on the creek of Terekhol. In return the Company agreed to pay him (a) compensation for loss of customs revenue, based on the average of the collections of the preceding three years, and (b) Rs. 500 in respect of customs duties levied on goods imported via Goa for his own use. The compensation payable under (a) was fixed at Rs. 13,443, of which Rs. 1,700 appears to be on account of the abolition of land customs. The average customs revenue collected by the Government of India during the last five years by virtue of its rights in Savantwadi is Rs. 19,277, of which only about Rs. 1,300 relates to the Savantwadi port of Aronda (which has been substituted for Banda owing to the silting up of the creek), the remainder being collected on the Goa frontier. The State's rights in respect of sea customs are defined by the compensation payment of Rs. 13,433, less the Rs. 1,700 allotted for abolition of land customs, and this figure also represents the extent of its immunity from contribution to central customs revenue.

CUTCH.

351. The island State of Cutch, with its extensive sea-board, has a number of beach landing-places for the service of local needs, but there are only two ports calling for mention, namely, Mandvi and Kandla. Mandvi consists of an open roadstead with a small masonry jetty on the west side and a tidal creek or river bed on the east, protected by a groyne. The lay-out of these structures has been unfortunately designed, and the port suffers from large accumulations of sand on its west side and a tendency to siltation on the east. No important facilities are provided, nor is there much in the way of warehouse accommodation, and there are no railway connexions. The port, at which in 1930-31 261 vessels called, is closed during monsoon months. Kandla, which is situated far up the Gulf of Cutch, is an altogether more ambitious project. It comprises a well-built ferro-concrete pier with good approach and ample water at all states of the tide; direct railway service on to the pier, with cranes about to be provided; railway connexion with Bhuj, the capital of the State; more than sufficient warehousing

accommodation for the present amount of trade, with room for development ; and it is protected from monsoon weather.

352. The value of the trade now handled at Mandvi is shown below, but there are no figures to give for Kandla, which deals with very little trade at present, though if, as desired by the State, it were connected by rail with the mainland of India, the position would doubtless be very different.

		<i>Value of Imports.</i>	<i>Value of Exports.</i>	<i>Total sea customs from Imports. and Exports.</i>
		<i>(Rs. lakhs.)</i>		
1926-27	.. ..	65.21	1.57	4.17
1927-28	.. ..	57.17	1.91	3.90
1928-29	.. ..	66.52	1.79	4.50
1929-30	.. ..	74.3	1.43	4.54*
1930-31	.. ..	64.7	1.07	4.08

Including the trade of the beach ports referred to, the average amount of Cutch customs over the last few years may be taken at Rs. 8 lakhs per annum. At Cutch ports sugar is not a relatively large import, the value at Mandvi being Rs. 7.91 out of 64.7 lakhs in the year 1930-31.

353. The State of Cutch has always preferred to remain in commercial isolation from the rest of India and has hitherto succeeded in maintaining that position. It has therefore no treaty rights, though it has the right to, and does, levy sea customs on a tariff which differs from that of British India and is, in this respect, unique. As stated, the revenue collected in this way has averaged during the last five years about Rs. 8 lakhs, which constitutes rather more than 25 per cent. of the total revenue of the State. On the assumption that the State of Cutch becomes a federating unit, these Rs. 8 lakhs, or such modification of that figure as the application of the British Indian sea customs tariff would effect, represent the amount to be taken into consideration for federal purposes. The policy of isolation hitherto consistently adopted by Cutch has left the Government of India no alternative but to treat the State, for customs purposes, as a foreign country. The State claims that this treatment is a violation of Article 15 of the Cutch Treaty of 1819 which provides that "the Cutch ports shall be open to all British vessels in like manner as British ports shall be free to all vessels of Cutch, in order that the most friendly intercourse may be carried on between the Governments." It appears, however, that this article has no relevance in respect of the imposition of customs duties.

354. The Cutch State is now contemplating an abandonment of its traditional policy of isolation, and desires to link up the port

of Kandla with the metre gauge railway system of India at Ranikwar, on the Jodhpur State Railway, on the mainland side of the Rann of Cutch. The possible effect on the customs revenues of the Government of India or the Federal Government of the establishment of any such new line of communication between Rajputana and the sea is a serious political and administrative problem which it is not within our province to discuss.

SACHIN.

355. Sachin (area 49 square miles, population about 20,000) is situated on the Gujerat coast near Surat. It has no port or sea-borne trade and there is consequently no collection of customs, but our list of maritime States would be incomplete without mentioning this small State.

Special claims of Baroda.

356. The territories of the Gaekwar consist of five different areas, separated from one another by considerable distances. Of these, the divisions of Navsari, Baroda and Kadi are in Gujerat and those of Amreli and Okhamandal in Kathiawar. Baroda is a maritime State in Gujerat in respect of Navsari, and, in Kathiawar, in respect of both districts in that peninsula. The "ascertained existing rights" of the State, so far as they are concerned with Port Okha, have already been dealt with above, and inasmuch as Baroda's rights in Gujerat are not "ascertained," its claims in respect of them being now before the Government of India and therefore *sub judice*, they do not fall within our Terms of Reference. Our record of the maritime States would nevertheless be incomplete without an account of the Baroda case.

357. The Baroda Government claims that its rights and liabilities in respect of ports and customs in Kathiawar are defined by a Treaty of 1817 with the East India Company and by an engagement of 1865 with the Government of India. By the former, mutual freedom of commerce, navigation and transit was established, while under the latter Baroda claims to be a member of a Customs Union with British India and to be entitled to develop its ports and to retain all the customs revenue collected at them. The State therefore held that the Kathiawar arrangement of 1917 did not affect its own status and, in protesting against the reimposition of the Viramgam Line, its grounds of protest were dissimilar from those of the other maritime States of Kathiawar.

358. Important though the existence of the Viramgam Line is to all Kathiawar maritime States, it is of prime importance to Baroda. Okhamandal is an arid, almost desert, tract, which, except for the small and ancient walled city of Dwarka, not so long since dissuaded by force of arms from offering shelter to a vigorous community of pirates, supports practically no population other than that which has sprung up about the modern port and adjoining salt works. The imports of Okha go to the Gujerat possessions of the Gaekwar, and in doing so they must pass, and pay duty at, the Viramgam Line. Okha enjoys freedom to retain customs duties on such of its imports

as are consumed in Kathiawar, but we think that the Baroda Government would prefer to surrender this privilege and to withdraw any claim to retain customs duties on goods intended for British India, in return for the right to retain the duties on imports into the Gujarati territories of the State.

359. The Gaekwar of Baroda, while independent and an ally in respect of certain territories, was in fief to the Peshwa in respect of others, both in Kathiawar and Gujarat, and in 1861 the Secretary of State gave a decision that the Government of India, as the inheritor of the Peshwa's suzerainty, had the right to forbid the opening of ports on the Gujarat sea-board of Baroda State. The Baroda Government has protested that the suzerainty of the Peshwa did not include this right, and claims to be able to prove its contention from new evidence which has recently come to light. At the present time the State is forbidden to open ports on its Gujarat coast, and if this prohibition was withdrawn it would even then—failing admission of its claims under the Agreement of 1865 with consequent inability to demand the transit of its goods in bond—be unable to secure immunity from the incidence of British Indian customs duties for its inland district of Kadi, or even to serve the districts of Baroda and Navsari by one and the same port, since these two districts are separated by an intervening portion of British Indian territory.

360. Under the partition of Gujarat made between the Gaekwar and the Peshwa in 1752, the customs revenues of the ports of Navsari and Billimora, situated on the Gujarat sea-board of the Navsari Division of Baroda State, were allotted to the Peshwa, who transferred them to the British Government in 1802 by the Treaty of Bassein. A peculiar position has thus arisen, for the Government of India are in possession, not only of customs administration, but of the customs revenue also, at these two ports in Baroda State. The rights of the case are not disputed, but the not unnatural result is that Baroda takes but small interest in the trade of these ports, as is demonstrated by the fact that the average customs collections at Billimora and Navsari for the last 5 years have been Rs. 7,380 and Rs. 914 respectively.

(4) Inland States entitled to or claiming an interest in sea customs.

HYDERABAD.

361. The great State of Hyderabad is not a maritime State, but it is necessary to refer to it in this Chapter by reason of the claims which the Nizam's Government bases on certain articles of the Hyderabad Commercial Treaty of 1802.

Articles 1 and 3 of the Treaty are as follows :—

“ As the testimony of the firm friendship, union and attachment subsisting between the Honourable Company and H. H. the Nawab Asuph Jah, the Honourable Company hereby agree to grant to His Highness the free use of the seaport of Masulipatam, at which port His Highness shall be at liberty to establish a commercial factory and agents, under such regulations as the nature of the Company's Government shall

require and as shall be adjusted between the Governor-General in Council and His said Highness."

* * * * *

"There shall be free transit between the territories of the contracting parties of all articles being the growth, produce or manufacture of each respectively; and also of all articles being the growth, produce or manufacture of any part of His Britannic Majesty's Dominions."

362. The claims which the Nizam's Government bases on these articles are as follows :—

(1) The right to a free corridor to the sea at Masulipatam and a permit to develop a port so as to enable Hyderabad to make effective use of it "under the conditions that would obtain in the India of the future." The Nizam's Government urges that "this consideration renders it very necessary that Hyderabad should own and control a railway of its own from its border to Masulipatam."

(2) A right to import free of British Indian customs through any port, or overland from beyond British India, all articles which are the growth, produce or manufacture of any part of His Majesty's dominions, together with a corresponding right to export free of duty all articles of Hyderabad origin.

363. With regard to the first claim, it should be explained that the seaport of Masulipatam is situated in British India 60 miles from the borders of Hyderabad. It has no harbour facilities and but little present value as a port for ocean-going traffic, and it is possible to regard running rights over a railway crossing British India, as well as the right to develop a port on the British Indian sea-board, as a necessary preliminary to any service which the "free use" of Masulipatam, in the sense in which those words are interpreted by Hyderabad, could render to the State. We express no opinion as to the meaning of the words.

364. With regard to the second claim the Government of India in 1873 gave an interpretation adverse to that now put forward by Hyderabad. This, however, was in answer to a claim advanced by certain merchants, and the question has never been at issue as between the Government of India and the Nizam's Government itself.

365. We understand that the Nizam's Government have now addressed the Government of India with a view to the respective rights of the contracting parties being ascertained. It is not, therefore, for us to make any comment upon it beyond observing that, in the event of the claim being established, Hyderabad would achieve a position substantially the same as that of Kashmir (of which we give an account below) and that the effect on the federal customs revenue would be very serious indeed. We were, however, gratified to learn in the course of our discussions at Hyderabad that the State would not necessarily insist upon exercising the rights in question.

KASHMIR.

366. The frontier State of Kashmir, largest in area of all Indian States, has an interest in sea customs arising from rights accorded by Treaty. Under a Treaty of 1870 the State undertook to refrain from taxing all merchandise passing through the State by the Central Asian trade route, thus establishing free trade between British India and Central Asia. In return for the loss of revenue thus occasioned, the State was accorded the privilege of importing sea-born goods in bond. The administrative arrangements by which this is effected are simple. All goods imported in bond into the State are covered by invoices showing the amount of duty paid at the port of entry. These amounts are credited to the Darbar on the authority of endorsements made on the invoices by the Kashmir Residency authorities. At the time of the conclusion of the Treaty the trade traffic to and from Central Asia was substantial ; on the other hand the privilege accorded, in return for freeing this trade from taxation, was of trifling value and even at the beginning of the present century was not worth more to the State than 1½ lakhs of rupees a year. But in recent years the position has been reversed ; the value of the land trade has declined and the customs value of the goods imported in bond into the State greatly increased. The amount of customs revenue thus forgone has risen as high as Rs. 29 lakhs, and the fair average value of the State's customs rights at the present time could not be reckoned as less than Rs. 25 lakhs per annum.

367. The Central Asian trade passing through Kashmir had a total value of Rs. 20.94 lakhs in the year 1929-30, the chief items of import being silk (Rs. 4.6 lakhs) and charas (Rs. 1.63 lakhs) ; and of export, cotton (Rs. 3 lakhs) and silk goods (Rs. 2.86 lakhs). While we are unable to state what the duty value of this trade may have been, we would draw special attention to the imports of charas. This drug is imported in bond to centres in British India and there taxed. Had it not been for the treaty with Kashmir, an important item of the excise revenues of many provinces and States might have been seriously affected.

368. We must not overlook here the responsibility undertaken by Kashmir for watch and ward over a long span of India's northern frontier, for the purpose of which the State maintains forces at its own expense.

Relative value of British Indian and States' sea-borne trade and customs receipts.

369. The circumstances of every Indian State possessing an interest in sea customs have now been described and, to complete the information which it is necessary to furnish, we present a statement of figures showing the relative importance to a federal government of the subject with which this Chapter set out to deal. The figures for 1931-32 were not available during the progress of our tour of the States, and those we give have reference to the year 1930-31. In respect of trade figures we were unable in the case of a few very

minor ports to obtain information as to volume and value and have had to content ourselves with an estimate. As regards customs collections the statement is complete.

370. The figures given of the value of the trade passing through Indian States ports exclude the trade at the British Indian port of Cochin, but the figures for customs collections include the two-thirds of the Cochin customs which belong to the States of Travancore and Cochin. The total value of the foreign trade conducted by Indian States ports in 1930-31 was Rs. 15.50 lakhs. The total foreign trade of British India and the Indian States in the same year was Rs. 361.82 lakhs, the percentage conducted through the States ports therefore being 4.28 per cent. The customs collections at Indian States ports in 1930-31 amounted to Rs. 280.78 lakhs, of which Rs. 122.65 lakhs was recovered for British India at the Viramgam line, leaving Rs. 158.13 lakhs in possession of the States. The total sea customs collections for British India and the Indian States in 1930-31 amounted to Rs. 39,46.94 lakhs. Thus the amount retained by the States was 4 per cent. of the whole. The sum retained by the States does not represent the total extent of the immunity from contribution in respect of sea customs enjoyed by the States, as that immunity is not calculated in all instances upon customs revenue directly collected and retained. The aggregate extent of this immunity was Rs. 182.42 lakhs in 1930-31, the detail of which will be found in Appendix VI.

Circumstances affecting the task of valuing States' customs rights.

371. We are directed "to express an opinion as to what compensation it would be worth while for the Federal Government to offer in return for the relinquishment of the special privileges which each State now enjoys or such modification thereof as may appear to the Committee to be an essential preliminary to Federation," and we now propose to deal with this subject. It is no exaggeration to say that at no time within the past ten years has the difficulty attending a valuation of customs rights possessed by the Indian States been greater than at present. It has been authoritatively stated that "the value of international trade to-day is only one-half, or perhaps less than one-half, what it was in the first quarter of 1929. The number of unemployed has more than doubled. According to the figures of the International Labour Office, from 20 to 25 million persons are now without work. The situation daily grows worse."

372. Though, happily, the unemployment problem in India is far less acute than in many other countries, the figures of India's overseas trade which we have given in this Chapter show that the above description is not inapplicable to India also. But the mere comparison of total trade figures alone would be misleading, since they cover the action of two variables—volume of trade and level of prices—and the present relation of these two variables to one another is not necessarily of a normal kind, nor, indeed, is it the same for all commodities. Ordinarily, any reduction in price induces an increased demand from the consumer, which tends to neutralize the effect of

price-reduction on total figures of trade. But in the present economic crisis this result has by no means always followed. In too many cases no amount of price-reduction has availed to produce an adequate increased demand; on the contrary, the two downward movements have synchronized with disastrous effect on the totals. There are exceptions; it will have been noted, for example, that both at Cochin and in Kathiawar the volume of trade has not fallen to the same extent as at certain major ports in British India, for the reason that the low level of prices for sugar and rice has in fact produced increased demand. But in many other directions we have at the present time both adverse factors definitely apparent and, as a result, a total volume of trade which cannot be regarded as typical of India's normal trading capacity. There is also the question of India's fiscal policy. The protective duties on iron and steel, cotton piece-goods, matches, and sugar, have produced effects varying in their intensity but of great and growing importance, and the general policy of protection introduces an incalculable factor.

373. The following table gives in paralled columns the total import duties and those duties which are protective and are charged at special rates. Sugar, which has only recently come under a protective tariff, is not included.

(Rs. lakhs.)

		<i>Import Duties on articles liable to protective duty at special rates.</i>				
		<i>Total of Import Duties, excluding salt.</i>	<i>Iron and Steel.</i>	<i>Paper.</i>	<i>Matches, splints and veneer.</i>	<i>*Cotton piece-goods.</i>
1927-28	..	40,46.11	2,96.47	25.34	53.62	..
1928-29	..	40,83.65	2,62.45	28.10	25.27	..
1929-30	..	40,72.85	2,13.15	29.40	13.94	..
1930-31	..	37,18.87	1,43.39	20.91	3.74	3,73.39
1931-32	..	36,03.61	1,15.74	20.35	1.08	3,70.87

*This item was transferred to the "Protective Duty Group" with effect from 4th April, 1930. The previous year's (1929-30) importations carried a total duty of Rs. 5,83.68 lakhs.

374. With factors so variable and subject to so many influences in respect of which prophecy is impossible, we are of opinion that we can neither safely nor usefully make an estimate of the amount of compensation which it would be worth the while of the Federal Government to offer to the States in return for the relinquishment of customs rights, assuming that they were willing to relinquish them. Nevertheless, there are certain directions in which we think that our comment may be of service.

General Conclusions and Recommendations.

(1) COCHIN PORT.

375. We are impressed with the potential importance of the port of Cochin as an economic factor in a federated India. We are, however, strongly of opinion that the proper development of the port will be seriously hampered and its potentialities unlikely to become realities, if the conditions which now prevail are not changed. We have come to this conclusion on two grounds, one concerned with the ownership and geographical situation of the port, the other with the manner in which its developments have been financed.

376. On the first point, we have already shown how the port, which was in its origin, and is still to a large extent, a British Indian port under the control of the Government of Madras, now extends into Cochin territory, and will extend still further if and when the present development scheme is completed. A divided ownership and jurisdiction cannot but be harmful to the best interests of the port, and in our opinion it is urgent that steps should be taken to effect the adjustments required.

377. On the second point, we recall that under the Agreement of 1925 Travancore and Cochin may each be required to provide a further sum of Rs. 30 lakhs or more in order to complete the development scheme. It is reasonably clear that the revenue of the port, as distinct from the customs revenue collected there, will not, at any rate for a number of years, produce an income sufficient to pay interest and sinking fund charges on the further expenditure which is contemplated, since port dues cannot be increased beyond a certain figure without driving trade away. It therefore follows that the money to be found by Travancore and Cochin will take the form of grants in aid earning no interest, and that the only source from which those States could recoup themselves would be from the increased value of their agreed share in the customs receipts.

378. We recommend therefore that negotiations with Cochin for the adjustment of the difficulties arising from the divided ownership of the port, and with Travancore and Cochin for the purchase of their existing rights in its customs revenue, should not be delayed. With regard to the first, we understand that the subject is already under discussion between the parties concerned. With regard to the second, it is difficult to suggest an appropriate basis of any offer which might be made. A figure based upon present receipts would necessarily be of a speculative character, and it must be borne in mind that a further large sum will require to be expended before the port is fully developed ; but, since a speculative element must enter into the matter, it is far preferable that the risk should be assumed by a federal Government, which will have the economic interests of India as a whole in its charge, rather than that Travancore and Cochin should continue the present system of grants in aid in the expectation, though without any certainty of increasing their domestic revenues by a possible rise in the value of their share under the 1925 Agreement in the future customs revenue of the port.

379. There is no question here of a cession of rights arising from sovereignty. The rights of the States concerned came into existence as the consequence of a mutual exchange of valuable considerations. They are in effect commercial rights, which should be susceptible of adjustment on a commercial basis agreeable to both parties, and we hope and believe that no real difficulty need be anticipated in bringing the parties together for this purpose.

(2) OTHER PORTS.

380. The case of the ports wholly owned by maritime States is substantially different. The customs rights of the Kathiawar and other States are, with very few exceptions, not the creation of any Treaty or Agreement but exist by virtue of the States' own sovereignty. They are rights cherished not only because of their financial importance, but also because they are the outward symbol of much that the States greatly prize. Indeed, in many instances the very existence of a State may be said to be bound up with its port. We understand and appreciate this point of view, but nevertheless we find it hard to reconcile with the ideal of a true Federation the retention by any federal unit of its own sea customs receipts. Certain maritime States have stressed the point that the surrender of the right, possessed and exercised by most States, to levy land customs duties, is not in contemplation. But the analogy is a false one, for inland customs duties, in so far as they are levied on goods from overseas, are an addition to the duties already paid at the ports, and their collection by the inland States does not subtract from the general customs revenues of the Federation.

381. We are, however, convinced as the result of our enquiries that no port-owning State is likely to surrender its customs rights, even in return for full compensation. We have, moreover, already stated our opinion that on many grounds—the nature of the rights, whether under Treaty or by virtue of sovereignty possessed by the maritime States; the impossibility of forecasting the future of trade or fiscal policy; the probability that, in some cases at any rate, natural processes are likely to produce a progressive deterioration in the value of a port—it would not be advisable for any offer to be made at the present time for the acquisition of the customs rights of the States, other than those rights possessed by Travancore and Cochin in the port of Cochin.

382. If, therefore, the port-owning States are to enter Federation, as everyone must desire that they should, room must be found for a compromise in which ideals and logic would yield in some measure to hard facts. An arrangement whereby the maritime States were at least enabled to retain in their own hands the value of the duties on goods imported through their ports for consumption by their own subjects, even though it would involve some slight diminution of federal revenues, might well be accepted in a federal scheme embracing so many diverse elements. In recommending that it be considered how far such an arrangement would be practicable, we do not exclude the possibility of modifications or adjustments to meet local circumstances.

383. No arrangement of this kind could be contemplated in cases where it would conflict with Treaty rights. In cases where the situation is not complicated by the existence of such rights, it would involve either some system of financial adjustment whereby the State would retain or have refunded to it the amount which, consistently with the suggested principle, it was entitled to receive, or else the maintenance, where necessary, of a customs barrier. If the second alternative were adopted, there would of course be no question of any control or inspection by federal authority of the customs administration at the ports, which would continue exclusively in the hands of the State itself. The first alternative, on the other hand, would clearly involve some measure of federal supervision or inspection.

Summary of Conclusions and Recommendations.

After setting out some of the difficulties in the way of bringing the views of the States with regard to their ports into harmony with the requirements of Federation, we give a general account of all the ports belonging to the maritime States (paras. 239-250).

The Treaty rights of Travancore and Cochin in the port of Cochin are described, with special reference to the Inter-portal Convention of 1865 and the Four-party Port Agreement of 1925 (paras. 251-265).

We examine a claim by Travancore under the Convention of 1865, and give our reasons for being unable to regard it as giving rise to "ascertained existing rights" within our Terms of Reference (paras. 266-274).

We note the value to Travancore and Cochin at the present time of their ascertained rights under the Agreement of 1925 and draw attention to various factors which may substantially affect that value in the near future (paras. 275-283).

After a general description of the Kathiawar peninsula, we give the history of the Viramgam Line, of its abolition in 1917, and of its reimposition in 1927 after the failure of the Mount Abu conference. The action taken by the Government of India on the representations submitted by Nawanagar, Junagadh, Morvi and Porbandar after the reimposition of the Viramgam Line is also described (paras. 284-311).

An account is given of the special Treaty rights of Bhavnagar (paras. 312-317).

An account is given of the physical characteristics and trade of the ports of Bhavnagar, Jafarabad, Veraval, Mangrol, Porbandar, Okha, Bedi Bandar and Navlakhi, and of the value of the customs collections retained by them since the reimposition of the Viramgam Line (paras. 318-336).

We give an estimate of the yield of customs collections by the maritime States of Kathiawar on alternative assumptions:—(1) that the Viramgam Line is maintained as at present, (2) that the Line is wholly abolished, and (3) that the Line is advanced so as to

divide the inland States from the maritime States of Kathiawar (paras. 337-345).

We survey the existing position in regard to certain other maritime States outside Kathiawar, viz., Cambay, Janjira, Savantwadi, Cutch and Sachin (paras. 346-355).

We examine certain special claims by Baroda (paras. 356-360).

The special cases of the Treaty claims and rights of Hyderabad and Kashmir are dealt with (paras. 361-368).

We explain the difficulty of making any estimate at the present time of the value of the existing rights of maritime States (paras. 369-374).

We recommend that negotiations should be begun for the purchase of the rights of Travancore and Cochin in Cochin port and that **steps should be taken to adjust the difficulties which arise from the present divided ownership and jurisdiction of the port** (paras. 375-379).

For reasons stated in paras. 380-381, we find ourselves unable to recommend that any offer should be made at the present time for the acquisition of the customs rights of port-owning States.

We express the opinion that the ideal of a true Federation is difficult to reconcile with the retention by any federal unit of customs duties collected at its ports, but we recognise that no maritime State is likely to relinquish this right (paras. 380-381).

In order that no maritime State may be thereby prevented from entering Federation we recommend for consideration a compromise arrangement under which such States would be enabled to retain the duties on goods imported through their own ports for consumption by their own subjects. We recognise that no such arrangement could be made, except with the consent of the State concerned, when its effect would be to curtail Treaty rights (para. 382).

We discuss the methods by which such an arrangement could be made effective and the question whether it would necessarily involve any measure of inspection or supervision of customs administration by federal authority (para. 383).

CHAPTER VIII.

MISCELLANEOUS IMMUNITIES.

Introductory.

384. Our Terms of Reference provide us with authority to deal with such existing facts in the financial or contractual relations between the States and British India as are not specifically mentioned therein, but which have so close a bearing upon the matters remitted to us that they cannot be disregarded. We have found that there are certain prospective federal subjects, other than sea customs and salt, in respect of which some States enjoy a measure of immunity from contribution to central revenues, and we are therefore devoting this Chapter to discussion of them. In some cases, States retain their own postal systems and in many others have entered postal unity on terms which it is necessary to notice. There are also a considerable number of States which still possess and operate their own mints, and many instances of the receipt by States of compensation payments made for the abolition of land customs and transit duties. We also refer in this Chapter to the existence of certain courtesy concessions in respect of sea customs at present enjoyed by Indian Princes, and submit recommendations thereon.

(1) Posts and Telegraphs.

385. It became clear to us at a very early stage of our enquiries that it would be necessary for us to give detailed attention not only to the immunities possessed by many States in the sphere of Posts and Telegraphs, but also to the almost universal sense of dissatisfaction which we found to be prevailing amongst the States in regard to certain aspects of their relations with this important department. In the Memorandum which we issued for the information of States soon after our arrival in India (Appendix II), we referred specifically to postal privileges enjoyed by many States, but by no British Indian province, and asked the Darbars to afford information to enable us to judge the amount which would be diverted from what are *prima facie* the legitimate revenues of the Federal Government in the event of the continuation, under Federation, of their present privileges. In the main, however, as was only natural, our information in this respect had to be derived from official sources.

The grievances of the States.

386. It will be convenient to deal first with those aspects of the operations of the Posts and Telegraphs Department which have been referred to above as a source of grievance to the States in general. These may be briefly summarized as follows :—

- (i) It has commonly been believed by the States that the control of Posts and Telegraphs is a source of financial profit to the Government of India and, inasmuch as the operations of

the Department are carried on in State territory as well as in British India, the States have claimed that a proportionate share of such profits should be handed over to them.

(ii) In particular, they resent the departmental regulations under which they are required to give a cash guarantee in respect of any unremunerative post office opened for their administrative convenience, and argue that no such demand should be enforced without first giving them credit for all admittedly remunerative offices within their territories.

(iii) Several States object to the banking operations carried on by the Posts and Telegraphs Department, through the medium of the Postal Savings Bank and the issue of cash certificates. In some cases, it is complained that these operations compete unfairly with similar institutions maintained by the Darbars themselves, and unduly restrict their ability to raise loans from their subjects. By others it is alleged that these operations are of a profit-making nature, and that such profits should accrue to themselves rather than to the Government of India.

(iv) There is wide resentment against the operation of the "Mail robbery rules" under which Darbars can be required by the Government of India to make good any losses resulting from robbery of mails in transit through their territories.

(v) Many States which are in receipt of grants of free service stamps complain that these are inadequate to their needs, whilst others who do not enjoy this privilege urge their claims thereto.

387. All these grievances had been fully represented to the Butler Committee and have since received in that connection the sympathetic consideration of the Government of India. The States, however, were unaware of those developments and almost all of them have looked to us for redress. In the circumstances it seems desirable that we should review as briefly as possible the existing position as it appears to us.

(i) Claim to share in the revenues of the Posts and Telegraphs Department.

388. Bound as we are to approach the matter from the federal standpoint, we are unable to regard with sympathy any claim for a share in the alleged profits of the Posts and Telegraphs Department. The detailed accounts prepared by the Department show that, so far from there being any such profits, there is in fact a serious loss on the working of the Department as a whole. Even if profit were made, the present official policy would be to apply it to the extension and cheapening of postal facilities rather than to credit it to general revenues. But, whatever the facts or the policy may be, we feel confidence in affirming the principle that, if Posts and Telegraphs is to be a federal subject, all receipts therefrom must accrue to the Federal Government and cannot be made available for distribution among federating units.

(ii) The "guarantee" system.

389. The above principle does not afford a full reply to those States which entertain the grievance described above in regard to the guarantee system for unremunerative offices, and it is not unnatural that States which are thus called upon to make cash payments should be inclined to demand a set-off in respect of remunerative offices. We are, however, given to understand that, although it is possible to determine with reasonable accuracy the loss incurred by the opening of a new and unremunerative office, there are insuperable difficulties in the way of calculating the net profit on any post office. Without necessarily accepting this proposition, we find it impossible to recommend any deviation from existing practice in this respect, for the reason that we are assured that it is applied impartially to States and provinces alike. Comprehensive orders issued by the Government of India in 1928 provide that "all large centres of population or places of actual or prospective commercial importance should be provided with proper postal facilities notwithstanding that this may result in net expense to the department." They also lay down the principle that, where a local Government or Administration desires a new post office solely to meet administrative requirements or the interests of a small section of the public, such offices, if considered unlikely to be remunerative, must be guaranteed by the interested parties, though the local postal authority may dispense with a guarantee if the resultant loss is not expected to exceed Rs. 120 per annum.

390. The above principles appear to us to be generally equitable and, as it is no part of our duty in this connection to criticize existing arrangements except in so far as they result in inequality of treatment as between provinces and States, we have no recommendation to offer.

(iii) Banking Operations of the Posts and Telegraphs Department.

391. In regard to the grievances of States arising out of banking operations carried on by the Posts and Telegraphs Department, the Government of India informs us that its position may be stated in the following terms :—

"These banking transactions, which take the form of savings bank accounts and the sale of cash certificates, represent a fair commercial exchange from which each party concerned derives some benefit which is fairly balanced by the consideration given. On the one hand, we afford to State subjects facilities for saving and inducements to thrift which are undoubtedly an asset to the economic development of the States. On the other hand, it is a convenience to us to afford these facilities because it suits us to borrow money at the rates which we pay. We would qualify this latter statement by observing that in the case of cash certificates we pay what we regard as rather more than a fair commercial rate of interest with a view to encouraging thrift among the poorer classes. Subject to this reservation we must definitely refuse to pay more than fair commercial rates. We are therefore unable to admit the existence of any profits in which the States are

entitled to share. In other words, if we had to make disbursements to third parties, under the guise of a share of "profits," in addition to the interest rates which we should normally be paying, our total disbursements would represent more than a fair commercial rate of interest.

"We admit, however, that it would be a new and unjustifiable principle of political practice to hold that the Paramount Power is entitled to carry on these transactions in States against the wishes of the Rulers, and, in some cases, in competition with the Darbar's own local arrangements. We are prepared, therefore, to arrange for their complete cessation in the territory of any State which definitely asks for it."

In our opinion, the above pronouncement effectually disposes of all grievance under this head.

(iv) The mail robbery rules.

392. The action proposed by the Government of India in respect of the Butler Committee's recommendation regarding the mail robbery rules is as follows :—

It is proposed that these rules should be replaced by a Government Resolution in which it would be made clear that the Paramount Power reserves the right to claim and exact compensation in any case where a mail robbery is found to be attributable to the failure of an Indian State to make police arrangements to secure the reasonable safety of life and property in any area or to afford suitable protection to routes over which mails are carried. In so far as robberies may be due to, or facilitated by, individual derelictions of duty, it would not be easy to maintain the principle of liability, since such incidents may occur in British India as well as in States. But if any particularly flagrant case were brought to notice, the question of demanding compensation would be considered on its merits.

393. In so far as this change in existing procedure involves considerations of high policy, it is quite outside our Terms of Reference ; but from the financial point of view, with which alone we are concerned, we are unable to discern any grievance which would justify us in advocating other action.

(v) Claim to free grants of service stamps.

394. We are unable to suggest any practicable method of eliminating the inter-State inequalities existing in respect of free grants of service stamps. Where such grants are made they indubitably carry with them exemption from full contribution to central revenues, and will be dealt with from that standpoint in the following paragraphs. We note the unfortunate fact that, to a large extent, they have grown up in a haphazard manner, but, in view of their obvious inconsistency with the adoption of Posts and Telegraphs as a federal subject, and with the fact that no such privilege is accorded to any local Government, department or individual within the limits of British India, we should deprecate any attempt to remedy existing inequalities at further cost to central or federal revenues.

Immunities enjoyed by States in the sphere of Posts and Telegraphs.

395. We now turn to that portion of the subject of Posts and Telegraphs which is more obviously within our Terms of Reference, namely, the immunities or privileges enjoyed by many States in this sphere. These may be classified as follows :—

- (i) maintenance by States of their own postal departments,
- (ii) free grants of stamps for official correspondence,
- (iii) free carriage of the official correspondence of Darbars by the Indian Postal Department,
- (iv) privileges enjoyed by certain States in respect of obtaining a share of the receipts of the Telegraph Department.

(i) Maintenance by States of their own postal departments.

396. Details in regard to items (i)—(iii) above will be found in the schedules to Appendix VII of this Report. Under item (i) arises a problem of great difficulty. On the basis of the position taken up by the Government of India, namely, that the Posts and Telegraphs Department is not intended to provide revenue for general purposes and is, in fact, run at a heavy loss, it would be, at the least, illogical to debit a State with a cash immunity on the ground that, by maintaining its own postal department, it is making a profit which ought to go to the Federal Government. But the fact remains that States which enjoy this privilege declare, though their accounting system is presumably different from that followed by the Government of India, that they make considerable profits therefrom. As a natural consequence of this, those States which no longer possess their own postal departments tend to argue that, whatever may be the experience of the Government of India, they could make profits for themselves if Government had not taken these arrangements out of their hands, or, alternatively, that it is inequitable that other States should be left in a position to exploit a field from which they are excluded. There is thus a widespread tendency towards secession from postal unity.

397. We regard it as very unfortunate that such a demand should be in evidence on what we believe to be the eve of India's federation. The advantages accruing to India from a unified postal system are so obvious as to need no elaboration and, when all federating units are in a position to exercise a reasonable control over the administration of this great public service, the basis for many grievances now entertained will disappear. This proposition is in fact accepted by a great number of States, but those of them which do not possess their own postal systems not unnaturally complain that it is hardly consistent with the retention of this privilege by others. So far as administrative considerations are concerned this is undoubtedly true, but the States which possess the privilege attach to it a sentimental value as an emblem of their sovereignty and would not be prepared to surrender it as a condition preliminary to Federation. We may deplore this attitude as an obstacle to the full application of the federal idea, but the anomaly does not appear sufficiently serious to justify anything of the nature of an ultimatum to the

States concerned, provided always that they permit to the federal postal department such freedom of action within their territories as may be essential in the interests of all India communications.

398. It remains, however, to be considered whether the privileged position occupied by these States amounts to an immunity to which, for the purposes of our enquiry, a definite financial value should be attached. In other words, we must decide whether it can be affirmed that the financial position of the federal posts and telegraphs department would be improved by the accession of these States to postal unity and whether we should thus be justified in debiting them with a financial immunity. Such a course would no doubt be advocated by those States which regard as invidious the enjoyment by a few of a privilege to which so many aspire. But it appears to us to be impracticable. We are informed that no method has been discovered whereby the profit or loss on providing postal facilities in any particular area can be assessed. The total revenue and expenditure actually accruing within a State afford no sure basis for such an assessment, because both revenue and expenditure, directly or indirectly connected with the operation of the postal department within a State, arise also outside its limits. No means have hitherto been devised for allocating, even approximately, these extraneous receipts and expenses, and although it might be possible, by laborious and detailed investigations, to arrive at some rough estimate in relation to the state of affairs at a particular time, the cost of those investigations and the fact that the results would be vitiated by subsequent fluctuations in traffic or by administrative changes would render the trouble and expenditure involved quite unwarranted, if not actually useless. It has also been suggested to us that, if the accounting system used by the Indian postal department were applied by those States which possess postal systems, the effect might be to convert into deficits the profits which they now believe themselves to be making. In view of these considerations we have been forced to the conclusion that the maintenance of separate postal systems by States constitutes a privilege of a political and sentimental nature rather than an immunity to which a cash value could be attached, and we have accordingly refrained from attributing any cash value to it.

(ii) Free grants of stamps for official correspondence.

399. The right to receive free annual grants of service stamps for official correspondence is at present enjoyed by 27 States (*vide* Schedule B of Appendix VII), the annual total value of such grants amounting to Rs. 3,12,385. The Butler Committee drew attention to the absence of any apparent principle for the regulation of these grants and to the unfortunate results arising therefrom. Generally speaking the system owes its origin to the necessity of attracting into postal unity certain States which might otherwise have preferred the continuance of previous arrangements.

400. We understand that the Government of India does not deny that a review of past practice in the matter of these privileges reveals a degree of liberality hardly consistent with the fundamental principle by which alone they can be justified. Concessions

have been granted to certain States without any *quid pro quo* from them, and the concessions applicable to others have been liberally increased even though, in some cases, such increase was specifically debarred by the terms of the original grant. The purposes of such grants have also been interpreted by some States in a wider sense than was originally contemplated, in that they utilise these free stamps for correspondence outside as well as within their territories and for the sending of telegrams. Failure to restrict the use of service stamps to the purpose for which they were primarily intended has led to a wide demand for increased supplies. The system has also created inter-State jealousy, inasmuch as many States are still debarred from a concession which they see extended to their neighbours without any apparent reason for the discrimination.

401. Looking at the matter from the federal standpoint we think it very relevant to observe that in British India the Posts and Telegraphs Department receives payment at full face value for service stamps supplied to local Administrations or to other Departments of the Government of India and that no official, however highly placed, enjoys the privilege of franking correspondence. It is clear, therefore, that the privileges enjoyed by certain States in this respect will, to the extent that they may be continued, establish them in a preferential position. Having regard to the implications of constituting Posts and Telegraphs a federal subject and to the desirability of avoiding at least any accentuation of existing anomalies, we feel justified in making the following recommendations :—

(1) No extension of the concession should be made to any State which is not at present in enjoyment of it.

(2) In the case of States which are now enjoying the concession—

(a) no increase in the present value of the concession should be made unless the right to demand such an increase is specifically conceded under existing arrangements ;

(b) where the existing arrangements provide for a concession on a varying scale, steps should be taken, by negotiation with the States, to substitute a fixed figure.

(3) Existing concessions should be treated as immunities and, where there is no scope for setting them off against special contributions, endeavours should be made, by negotiation with the States concerned, to extinguish them in return for a cash composition.

(iii) Free carriage of official correspondence.

402. Immunities arising out of the free carriage of the official correspondence of certain States are tabulated in Schedule C of Appendix VII. In all these cases, they arise out of the terms by which the State in question accepted postal unity, and any arbitrary withdrawal of them would, in our opinion, be unjustifiable. Nevertheless, it is undeniable that the existence of these privileges involves a considerable diminution in the earning capacity of the Indian

postal department, and for this reason we have felt obliged to classify them as immunities and to attach to them a financial value based upon the estimated income of which the department is deprived. The assessments amount to an annual total of Rs. 7,14,640, but it is only fair to observe that the amount of official correspondence consigned for carriage by the postal department would probably be considerably reduced if funds for postage fees thereon had to be found by the Darbars.

(iv) Privileges connected with the Telegraph System.

403. The privileges, referred to at (iv) in paragraph 395 above, in respect of obtaining a share of the receipts of the Telegraph Department, are enjoyed, so far as we have been able to ascertain, by only six States, viz. Cutch, Jind, Kotah, Nawanagar, Patiala and Rewa. Between 1885 and 1905 agreements were concluded with these States for the construction and working by the Indian Telegraph Department of telegraph lines which the Darbars considered desirable or essential for local requirements. In most cases the necessary capital was provided by the State, but in some it was provided by the Government of India, interest charges being annually debited to the cost of working the line. All these agreements provide for the payment to the Darbar of the estimated net profits. In recent years, their terms have come under the close scrutiny of the Indian Posts and Telegraphs Department and have been criticised as unduly favourable to the States.

404. It has to be considered whether the admitted rights of the States to participate in the net profits, if any, of these lines constitute immunities, and whether, if it were possible to determine the annual amount, if any, by which the receipts of any State exceed the actual net profits of working its lines, that amount should be taken into consideration for our present purposes.

405. We have no hesitation in answering the second question in the negative. If any inequality results from existing arrangements, it arises not so much from any conscious admission of sovereign rights as out of a lack of foresight on the part of the Government of India when it entered into these purely business agreements. In our view, any attempt to rectify such inequalities as part of the process of adjustment involved in devising a scheme of federal finance would be entirely unjustifiable.

406. The first question is more difficult. On the one hand it is quite clear that the States concerned will, by reason of these agreements, be in a position to share the profits of a federal department which ought, in theory, to accrue wholly to federal revenues. But on the other hand, they are also bound under their agreements to make up the deficiency in years when the lines are run at a loss, as has in fact occasionally occurred. The agreements are, in fact, of a purely business and departmental nature, the lines having been constructed and worked on a special contract basis to meet the requirements of the States and not as a part of the ordinary programme of the Indian Telegraph Department. In these circumstances, we have decided to attach no cash value to the privileges which they confer on the States concerned.

(2) Coinage and Currency.

407. Currencies in India have been in the remote past almost as numerous as dynasties, but a considerable degree of uniformity was attained during the Moghul period. In fact some of the greatest Indian States retained on their coinage up to the middle of the nineteenth century the superscription of the Delhi Emperors. We have already recounted in our historical chapter how, in the process of the economic unification of India which progressed so rapidly after the assumption of paramountcy by the Crown, many States abolished the separate currencies which they had formerly possessed. In most cases the abolition was final, but there are some in which it was limited to a definite term of years on the expiry of which the States would be entitled to reopen their mints if they so desired. In the case of most of the smaller States the right of minting has never been exercised. It is thus a fact that at the present time the currency needs of India are almost entirely met by the notes and coins issued by the Government of India. Nevertheless, the claims of the States under this head, and the fact that several still possess mints and currencies which to some extent reduce the circulation of the Government of India's notes and coinage, have so close a bearing on Federation that we feel it necessary to deal with the subject in this Report.

408. As in the case of Posts and Telegraphs, our review must be divided into two parts dealing, firstly, with the claims of the States, and secondly, with the privileges which some enjoy. The claims are, in effect, claims for a share in the profits accruing from the Government of India's control of coinage and currency which, with a few exceptions to be noted below, circulate equally in the Indian States and British India. The proposition that such profits can be, and actually are made, stands on a much firmer basis than in the case of Posts and Telegraphs. The Federal Finance Committee have, in fact, included in their forecast of federal revenues an annual net income of 380 lakhs of rupees under this head. Nevertheless, whatever the profits, we are unable to recommend the acceptance of any claim for their distribution among prospective federating units, inasmuch as "coinage and currency" is a prospective federal subject, and any profits thereon should accrue to the Federal Government, in the direction of whose currency policy the States would have the opportunity of exercising their due share of influence.

409. It is also necessary to refer here to the claims of States which, being debarred, permanently or temporarily, from the privilege of minting, argue that the privilege should either be restored to them or taken away from those which exercise it at present. The raising of immunity debts against the privileged States would, of course, disarm criticism of this kind, and the question whether such debts could or should be raised will be considered in a later paragraph. It is sufficient here to remark that the revival of mints which have been closed in the past, or the minting of coin by States which have never hitherto exercised the right, would be even more inconsistent with Federation than any system of dividing among federating units the profits accruing from control of the federal currency. But we recognise that, where mints have been closed

only for a definite term of years on the understanding that the State is entitled to reopen them when that period has elapsed, definite rights exist which cannot be terminated save by consent.

410. Consideration of the privileges now enjoyed by several States in the issue of their own currency raises a far more difficult question. Clearly it is most desirable that a uniform federal currency should circulate, without competition or limitation, throughout India. But, even here, allowance has to be made for dynastic and local sentiment, and we observe that the inclusion of currency in the list of federal subjects prepared at the Round Table Conference was made "subject to adjustment with the States concerned of such rights as are not already conceded by them." The States which at present exercise the right of coinage are less than twenty in number, and in many the right is limited to the minting of coins of low value (Pudukkottai, for instance, mints only a copper coin of the value of $1\frac{1}{20}$ of an anna) or of coins which are used for ceremonial rather than for currency purposes. In only seven States does the local currency constitute a factor deserving serious consideration for present purposes, and only in Hyderabad is it of such a nature and magnitude as to admit of extensive profit making. This State alone possesses a paper currency as well as a mint, the face value of its notes in circulation being over Rs. 9 crores. The issue of notes has proved to be by far the most, if not the only, consistently profitable branch of the Government of India's currency operations, the management of metallic currency being subject to speculative factors in the case of gold and silver, while the margin of profit on copper coins is reduced to small dimensions by the cost of manufacture. The Government of India in fact incurs a definite loss on the issue of its smallest subsidiary coins. The risks inherent in the coinage of silver are sufficiently exemplified not only by the serious losses sustained by the Government of India in consequence of the fall in the price of silver during the last few years, but also by the recent experience of several States which now exercise this privilege, more than one of which have approached the Government of India with proposals for the demonetization of their currency. Those proposals have been of a nature to suggest a heavy loss to Government, being in fact to the effect that Government should issue, in exchange for the depreciated State coins, British Indian rupees with redeemable value.

411. The conclusion which we draw from the above facts and considerations is that, with the exception of Hyderabad, particularly in respect of its note issue, the currency operations of Indian States are unlikely to involve any serious competition with the federal currency and are not of a nature which would justify a financial offer to extinguish them at the cost of federal revenues, even if the States concerned were willing to sacrifice sentiment and agree to such a course. In the case of Hyderabad, which agrees that the possession of a separate currency is a source of considerable revenue to itself, if the right to supply coinage and currency notes for the State's own needs is assessed either on a population basis or on the basis of active note circulation, the loss to federal revenues is approximately Rs. 17 lakhs. We have therefore to record the view that Hyderabad is in the enjoyment of an immunity to this extent.

412. In conclusion we suggest that in any case where the re-opening of mints or the continued issue of metallic currency may be considered inimical to the interests of the federal currency, efforts should be made to arrange, by negotiation, that such operations should be confined within purely nominal limits or to the production of coins intended for ceremonial as opposed to currency purposes.

(3) Land Customs and Transit Duties.

413. Our enquiries in India revealed the necessity for including in our Report some reference to the land customs duties levied by many States, the disabilities which preclude others from reliance on this source of revenue, and the circumstances in which transit duties, as opposed to import and export duties, have disappeared from the Indian fiscal system. While we were aware of the prominence accorded to some aspects of this subject at the Round Table Conference, it was not until we received from several States representations in which it was included that we were constrained to give it serious consideration. The necessity of so doing was confirmed by the fact that our analysis of the salt agreements brought to notice the existence of numerous payments which, though we were unable to classify them as salt immunities, undoubtedly place the States which receive them in a privileged position at the expense of central revenues.

(i) Land Customs.

414. The disadvantages of internal customs barriers were realized by the Government of India at an early stage and it has from time to time availed itself of such opportunities as have occurred for their diminution or restriction. Provisions to this end were included in general commercial treaties—notably the Inter-portal Convention of 1865 with Travancore and Cochin; and, in several instances, particularly those of States in the Punjab and States which had previously owed allegiance to the Bhonsla Raja of Nagpur, similar provisions were inserted in the sanads issued to define the relations of those States to the Paramount Power. Moreover, it was the intention of those who initiated the policy leading up to the numerous salt agreements concluded between 1870 and 1885 to use the additional salt revenue anticipated from those operations for the purchase of all the land customs rights of the States concerned. Experience, however, proved this ideal to be unattainable and only in the case of a few of the earlier agreements, namely, those with Alwar, Dholpur, Bahawalpur and Kishengarh, was this objective actually achieved.

415. In fact it is evident that the efforts of the Government of India in this direction have not been attended with a large measure of success, except in regard to transit duties and duties on salt. Though there are exceptions of great importance, the States in the main still possess the right to levy import and export duties at their land frontiers. The majority exercise the right, and to many it represents an indispensable source of income, second only in importance to land revenue.

416. The States which are disabled by the treaties and arrangements referred to from levying land customs duties object to what they hold to be invidious discrimination against themselves. The compensation payments are considered to be inadequate and, from the federal standpoint, are open to legitimate criticism as being an unjustifiable use of central revenues. Already on two occasions within recent years the Government of India has found itself unable to resist requests for the revision of existing agreements to the extent of removing restrictions on the levy of land customs duties. To other States which have advanced similar claims the reply has been made that decision must be deferred pending consideration of the larger issues involved by the federal proposal.

417. It was inevitable therefore that the subject should attract the attention of the Round Table Conference. At the discussions of the Conference there was first a tendency to press for the removal of all such fiscal barriers. But further consideration compelled the conclusion that this ideal, however, desirable, is, for the present at any rate, outside the scope of practical politics. The Peel Committee, though recording the opinion that the aim of Federation should be the gradual disappearance of all such taxes, recognised that "it may be impossible for the States to surrender, either immediately or in the near future, large sources of revenue, without the acquisition of fresh resources; nor would it seem to be in general an equitable plan for the Federation to attempt to buy up, so to speak, the existing rights of the States in such a matter. This would simply mean that, in the general interests of economic unity and to facilitate trade, a tax would be imposed on the Federation as a whole in order to relieve the inhabitants of the States. The abolition of these taxes must therefore be left to the discretion of the States to be effected in course of time as alternative sources of revenue become available."

Our Conclusions and Recommendations.

418. In view of the conclusions thus arrived at on grounds so strong as hardly to admit of dispute, there remain only two possible courses of action. The first is to retain without compromise, and regardless of existing anomalies and inequalities, that measure of progress in the desired direction which the Government of India has succeeded in achieving. The second is to remove the restrictions in the relatively few cases where they exist. Our own inclination is towards the latter course. But, apart from its retrograde and anti-federal implications, we entertain some misgivings as to the consequences which might ensue if important States which are at present under restriction or limitation in the matter of inland customs duties were to resort to the erection of protective barriers to the detriment of neighbouring parts of India.

419. In so far therefore as we are able to formulate any recommendation, it is to the effect that, pending the attainment of the ideal of universal internal free trade, relaxation of existing restrictions should be permitted only in cases where there is no room for doubt that such action would be justified by local conditions and

would not involve risk of serious repercussions on trade outside the territory of the State concerned.

(ii) Fiscal restrictions with regard to Salt.

420. The above observations are made only in respect of general import and export duties. Existing agreements under which States do not tax salt or levy transit duties must undoubtedly remain in force. In Appendix V we have been at pains to isolate from among the payments made to States under Salt Agreements all amounts which can fairly be classified as immunities from the incidence of the salt tax. The balance of such payments (apart from a few easily distinguishable items) is in respect of either the extinction of commercial or manufacturing profits on the one hand or the surrender of customs or transit duties on salt on the other. Payments under the former head clearly do not constitute an immunity of any kind. But those under the latter confer financial privileges on the States concerned at the expense of central revenues and we consider that they should be classified as immunities.

(iii) Transit Duties.

421. We hold the same view in regard to payments made for the abolition of transit duties on commodities other than salt. Such duties would, in modern conditions, impose intolerable obstacles on trade and we are glad to observe that they have practically disappeared as the result of the co-operation of Darbars and the development of railway communications. Only in a comparatively few cases are money payments made for such surrenders, and the immunities thus to be debited will not be large.

Lack of material for preparation of an Appendix.

422. We regret that it has not been possible for us to prepare an Appendix detailing the scope and effect of our recommendations in regard to this category of miscellaneous immunities. Our Terms of Reference contain no mention of inland customs or transit duties. We did not, therefore, issue any request for comprehensive details, and it was only at a late stage of our investigations that we became fully conscious of the close connexion of these matters with the general problem before us. The collection of the data necessary for the preparation of detailed schedules would have involved serious delay in the submission of our Report and we have, therefore, thought it justifiable to confine ourselves to the formulation of principles on the basis of which the preparation of such schedules could no doubt be completed without difficulty under the orders of the Government of India.

(4) Miscellaneous Payments to certain States.

423. The Government of Bombay have brought to our notice a considerable number of payments, amounting in the aggregate to about two lakhs of rupees per annum, which are at present being

made to States in that Presidency in commutation of rights which their Rulers formerly exercised in districts now included in British India. In practically every case these payments, which have already been referred to in paras. 194-199 under the heading of Kadim Inams, are made from provincial revenues, and the continuance of present practice would not, therefore, affect the finances of the Federal Government. We understand, however, that the question of the transfer of these liabilities to the Central Government has been definitely raised and, in the event of such a proposal being accepted, the origin and nature of the payments would call for more detailed scrutiny than we have been able to accord to them.

(5) Courtesy Concessions in respect of Sea Customs.

424. Some reference must here be made to a form of immunity enjoyed not by Indian States as such, but by certain Rulers in their personal capacity. By an Order of the Governor-General in Council, Rulers of Indian States in possession of permanent salutes of 21 guns were, in 1861, granted the right to import, free of customs duty, all goods intended for their personal use or the use of members of their families residing with and dependent upon them. This concession was, by the same procedure, extended in 1888 to include all Rulers in possession of permanent salutes of 19 guns, and the total number of Princes entitled to the concession is now eleven. A minor customs concession has been given by administrative orders to all Rulers possessing permanent salutes of not less than 11 guns. These Rulers are permitted to pass their personal effects through the Customs free of duty when entering India on return from travelling abroad. The number of Rulers enjoying this minor concession, but excluded from the major one, is seventy-six.

425. So long ago as 1924, the Chamber of Princes passed a Resolution recommending that the major concession should be extended to all members of the Chamber, and continued to press the matter until, in his opening speech to the Chamber in February, 1928, the Viceroy announced that "the matter is not one that can be considered apart from the general question of fiscal relations, which is one of the questions under investigation by the Indian States Committee" (i.e., the Butler Committee). That Committee recommended in their Report acceptance of the principle of the Resolution. Effect has not been given to this recommendation and the Princes have not failed to make emphatic representations to us on the subject. In these circumstances, we are under the necessity of expressing an opinion whether the major concession should be extended to all members of the Chamber of Princes as well as whether any concession at all should be continued under Federation.

426. With regard to the first question, it is important to remember that, when the Butler Committee issued its Report, the States were pressing their claim to a share of the customs revenue collected at British Indian ports on the ground that they were contributing to this revenue on the same basis as British India, though they themselves had no voice in determining tariff policy and derived no benefit from their contribution. This was recognized by the Princes

when the Standing Committee of the Chamber met the Viceroy in informal conference at Poona in June, 1929. It was then put on record "that the relief proposed in paragraph 88 of the Indian States Committee Report was of an *ad interim* and immediate character. If and when all States were to obtain a share in the Imperial Customs duties as a result of the investigations of the expert Committee, these special privileges to the Princes personally would of course disappear."

427. The "expert Committee" mentioned above was in fact never appointed, owing to the acceptance of the idea of Federation at the Round Table Conference. We do not suggest that to secure a voice in the fixing of tariffs and in the appropriation of the customs revenue, which would follow from Federation, is the same thing as to receive a share of that revenue, but the connection between the two is so close as to make it impossible to ignore the recorded minute of the Viceroy's conference at Poona.

428. There are, however, certain more definitely practical aspects of the matter which have to be considered. It has been represented to us that the distinction drawn under the present practice between different categories of Rulers is invidious. That is undoubtedly the case, but we have to determine what would be the effect of removing the distinction. There are now 109 members of the Chamber of Princes in their own right, a number which is liable to increase, and if all those members were granted the major concession demanded, it would be difficult to resist the claims of members elected by groups of lesser States, or indeed of all Rulers of such States. In effect there is no saying with whom the concession would end. The concession, limited though it now is, operates with some measure of hardship to Indian traders and merchants, particularly to importers of luxury articles. If it were extended in the degree desired, that hardship would assume very serious proportions. Moreover, it is even now not easy for the Customs department to decide, in respect of the articles imported by Rulers enjoying the concession, what should and what should not be admitted free of duty. An extension of that concession to the extent demanded would be a source of grave embarrassment to the department and would increase the cost of its administration. It is difficult to estimate the effect of the extension upon the customs revenues, but it could not fail to make an appreciable difference to the federal budget.

429. A number of Princes have laid arguments before us which might have great force if it were a question of extending the concession to one or two individual Rulers only. But we are convinced that this would be both impracticable and unwise. In view of all the circumstances we find it quite impossible to recommend any extension to other Princes of the concession now enjoyed by Rulers with salutes of 21 and 19 guns.

430. With regard to the question whether both or either forms of the concessions now enjoyed should be continued at all, several factors have to be considered. The fact that the major concession is limited to eleven highly responsible Rulers is in itself a guarantee

of great importance, as is proved by information furnished to us that the loss occasioned by that concession amounts to no more than from two to three lakhs of rupees per annum. The loss to the customs revenue occasioned by the minor concession is not ascertainable, for the reason that it is impossible to say what dutiable articles may be contained in the personal effects of Rulers re-entering India, but obviously the very limitations of the concession preclude the possibility of any serious loss. It is also essential to bear in mind that the major concession was granted to Rulers with 21 and 19 gun salutes seventy-one and forty-four years ago respectively, and is regarded by them as an important recognition of their rank and dignity. The minor concession is also much valued by the seventy-six Rulers enjoying it as a graceful acknowledgment of their position in India.

431. In our opinion the above-mentioned reasons constitute a strong argument for continuing both the existing concessions, with the limitations to which they are now subject, but we could not recommend this course unless the major concession were at the same time extended to the representative of the King-Emperor, the Viceroy and Governor-General, who embodies in his own person the authority of the Paramount Power.

432. We are also strongly of opinion that the minor concession, now enjoyed by Rulers in possession of permanent salutes of not less than 11 guns, should be extended to all Governors of Provinces on entry into India to take up their appointments as such, and on return to India from leave of absence.

433. We understand that our recommendations would require legislation to make them effective, and, if they are adopted, we think that the opportunity should also be taken of constituting the Viceroy the sole judge in the event of any dispute arising in connexion with the concessions and of making his decision upon it final and conclusive.

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Summary of Conclusions and Recommendations.

Posts and Telegraphs.—We are unable to recommend acceptance of any claims by States to share in the profits, if any, of the department. We are of opinion that all such receipts must accrue to and be retained by the Federal Government (para. 388).

In view of principles already accepted by the Government of India, we have no recommendations to make in regard to the "guarantee system" (paras. 389—390), the banking operations carried on by the postal department (para. 391), or the mail robbery rules (paras. 392—393).

We have arrived at the conclusion that the maintenance of separate postal systems by certain States (Appendix VII, Schedule A) constitutes a privilege of a political and sentimental nature rather than an immunity to which a cash value could be attached (paras. 396—398).

Free grants of service stamps are made to certain States for official correspondence up to an aggregate value of Rs. 3,12,385 per

annum (Appendix VII, Schedule B). We recommend (para. 401) that :—

(1) No extension of the concession should be made to any State which is not at present in enjoyment of it.

(2) In the case of States which are now enjoying the concession :—

(a) no increase in the present value of the concession should be made unless the right to demand such an increase is specifically conceded under existing arrangements ;

(b) where the existing arrangements provide for a concession on a varying scale, steps should be taken, by negotiation with the States, to substitute a fixed figure.

(3) Existing concessions should be treated as immunities and, where there is no scope for setting them off against special contributions, endeavour should be made, by negotiation with the States concerned, to extinguish them in return for a cash composition.

Privileges enjoyed by certain States in regard to free carriage of their official correspondence cannot be arbitrarily withdrawn, but should be treated as immunities (para. 402). The aggregate value of these immunities has been estimated at Rs. 7,14,640 (Appendix VII, Schedule C).

After scrutiny of the privileges enjoyed by certain States in respect of telegraph systems we are of opinion that these cannot justifiably be treated as immunities. (Paras. 403—406).

Coinage and Currency.—We are unable to recommend any acceptance of claims for distribution of currency profits among federating units. (Paras. 408—409).

We examine the question whether the privileges enjoyed by certain States in respect of the issue of their own currency should be treated as immunities on the ground that they may limit, by competition or restriction, the free circulation of the federal currency.

After full consideration of the potentialities of currency issue as a source of profit we are not prepared to recommend that rights to issue metallic currency should be classified as immunities, but are unable to take the same view of a case where currency notes are also issued. In the case of Hyderabad, the only State in possession of this double right, we recommend that it should be treated as an immunity. On the basis of population and active note circulation we attach to this immunity a cash value of approximately Rs. 17 lakhs per annum. (Paras. 410—411).

We also recommend that in any case where the re-opening of mints closed under past agreements for a definite term of years, or the continued issue of metallic currency may be considered inimical to the interests of the federal currency, efforts should be made to arrange by negotiation, that such operations should be confined within purely nominal limits or to the production of coins intended for ceremonial as opposed to currency purposes (para. 412).

Land Customs and Transit Duties.—We agree with the Peel Committee that it is impossible for States to abolish immediately or in the near future the land customs barriers which most of them maintain and that it would be unjustifiable to attempt to buy out such rights at the cost of federal revenues. In these circumstances, and having regard to the grievances arising out of existing anomalies and inequalities, we are inclined to favour the removal of restrictions on the levy of land customs duties in the relatively few cases where such restrictions are in force. But, apart from the retrograde and anti-federal implications of such a measure, we entertain misgivings as to the consequences which might ensue from the possible erection of protective barriers. In so far, therefore, as we are able to formulate any recommendation, it is to the effect that, pending the attainment of the ideal of universal internal free trade, relaxation of existing restrictions should be permitted only in cases where there is no room for doubt that such action would be justified by local conditions and would not involve risk of serious repercussions on trade outside the territory of the State concerned (paras. 413—419).

We do not recommend any abrogation of existing arrangements for the abolition of the taxation of salt by States or for the abolition of transit duties. But all compensation payments now made to States in respect of such arrangements should, in our opinion, be treated as immunities (paras. 420—421). For reasons given in para. 422 it has not been possible to prepare a schedule detailing the payments concerned.

Courtesy Concessions in respect of Sea Customs.—For reasons given in paras. 428—429 we are unable to recommend any increase in the number of Rulers of Indian States who at present enjoy (a) the major concession of importing free of customs duty all goods intended for their personal use, or (b) the minor concession of passing their personal effects through the customs free of duty when returning to India from abroad.

We recommend the continuance of both concessions on the existing scale, but only subject to the condition that the major one should now be extended to the Viceroy and Governor-General. We also advocate the extension of the minor concession to all Governors of Provinces on entry into India to take up their appointments or on return from leave of absence (paras. 431—432).

We further recommend that the opportunity should be taken of constituting the Viceroy as the sole and final deciding authority in the event of any dispute arising in connection with these concessions (para. 433).

CHAPTER IX.—CONCLUDING CHAPTER.

Introductory.

434. In Chapters III to VIII we have considered and made recommendations on the matters specifically remitted to us. We have **not** been in terms directed to state the joint effect of our several recommendations upon the cases of individual States, that is to say, to propose individual financial settlements. But the object of our enquiry was to facilitate the creation of a system of federal finance in which all units would contribute on a uniform basis, as far as possible, to the federal resources. This object has been in our minds throughout the enquiry, and we regard it as our duty not only to summarise the recommendations we have made on particular issues, but also to indicate in general terms how these could be applied as principles to the settlements with individual States on entering Federation.

Recommendations only applicable in the event of Federation.

435. We desire to say emphatically at the outset that nothing we have proposed has any relevance to the position of States, if there should be any such, which elect to stand out of Federation. We were constituted a Committee to deal with particular aspects of federal finance, and, with one exception to which we refer in paragraph 443, we were not empowered to make recommendations for the settlement of financial questions outstanding between British India and the States on any other basis than Federation. Our recommendations are conditioned by the assumption that the States will federate ; they are not to be taken by the States as a basis for the assertion of claims against British India, or by British India for the assertion of claims against States, either under the existing, or under any other than a federal, constitution, or in the present, or any other than a federal, relationship between the parties. They apply only to matters which fall within the proposed field of federal subjects and only there on the assumption of the acceptance of Federation by the individual States concerned. We desire to make this point clear beyond the possibility of misunderstanding.

No compulsion on States to federate.

436. Our enquiry has in the second place proceeded upon the assumption that no State can be compelled to enter Federation against its will. This assumption is one which is not open to dispute, and indeed was the basis of all the discussions at the two Round Table Conferences. It has an important bearing upon the subject of our enquiry, for we have not had to consider the conditions to be imposed by one party upon the other, but rather to suggest terms which, in our opinion, could be fairly and reasonably accepted by both parties as the basis of a mutual and voluntary association with one another. We assume a desire on the part of each to enter into an association, provided such a basis can be found, and our endeavour

has been to do justice between them after taking into account ascertained existing rights.

Federation and the political evolution of India.

437. But though Federation between the States and British India cannot be achieved by compulsion, it is clearly a necessary stage in the political evolution of India, and the operation of forces beyond the control of either party must inevitably cause them to draw closer to one another. These forces, as we have already pointed out, are in the main economic, and we cannot doubt that it is in some form or other of Federation that a remedy for the economic grievances of the States in particular will most satisfactorily and effectively be found. The task of formulating a scheme for this purpose would be infinitely easier if it could have been begun upon a clean sheet ; but the course of history during the last 150 years has brought into existence an intricate network of relationships between the two parties, the unravelling and readjustment of which must be accomplished before any advance can be made. Both political and financial factors are involved in this process. With the first we are not concerned ; our Terms of Reference are confined to the financial relations between the States and British India, and in our survey of this field we have endeavoured to cover the whole of the ground and to make our recommendations as comprehensive and complete as possible.

The States not a collective unit.

438. We are faced at once with the difficulty that the States are not a political unit like British India, and cannot therefore be dealt with as a whole. Our recommendations are intended to provide the material for the making of individual settlements with each State on its entry into Federation on the basis of a balance sheet which takes account of individual "credits" and "debts." There would in any event be no short cut to a settlement with the States by treating them collectively, for they will necessarily enter Federation by separate and individual agreements with the Paramount Power, in the making of which a number of varying factors, historical, political and economic, will have to be taken into account. It is only in a very general sense that it is possible to speak of the common interests of the States as contrasted with the interests of British India.

Difficulty of securing uniformity of burdens and benefits in a Federated India.

439. In an ideal federal system there would no doubt be complete uniformity, if not equalization, of burdens and of benefits, and existing federal constitutions seek to give effect, so far as possible, to this principle. But the circumstances in which an Indian Federation has to be created are, in the true sense of the word, unique, and present features which no framers of any federal constitution have hitherto had to take into account. Federation

has almost invariably occurred elsewhere as the result of agreement between homogeneous and comparable units, either completely independent or owing allegiance to a common sovereign. Each constituent element surrenders certain of its powers to a new body, representative of them all, to be exercised by the latter for the common good, and though it retains its autonomy in every other respect it occupies thenceforward a position of general subordination to the new organism.

440. In India the process will be wholly different. The federating elements are not homogeneous, and vary infinitely in area, population and wealth, nor do they all stand in the same relation to a common sovereign. The Rulers of the States already exercise sovereignty, the provinces of British India are not even autonomous; and though the provinces will attain autonomy, the Rulers of the States, save to a very limited extent, will not cease to exercise sovereignty; Federation will not be accomplished in the case of the provinces by a surrender to a new organism of powers which they already possess; it will take the form of a devolution by an existing organism of powers which it has itself long enjoyed. Lastly, outside the federal sphere the States will not occupy in any sense a position subordinate to the federal organism, but will continue to exercise the rights which they possess in virtue of their sovereignty unaffected by any other authority save that of the Paramount Power. Such is the magnitude and complexity of the problem which the framers of any federal constitution for India have to solve. It is therefore apparent at the outset that the ideal represented by the principle of uniformity or equalization of burdens and benefits is one not likely to be easily attained, and no useful purpose would be served by a refusal to recognise existing facts.

441. Our enquiries have shown us that uniformity is now wanting not only between British India and the States as such, but also between one State and another. As between British India and the States the want of uniformity arises from obvious and fundamental differences of political structure. As regards the States, we have in the preceding Chapters of this Report dealt both with the contributions which, in one form or another, they, or some of them, already make, and also with the immunity from contributions to central revenues which they, or some of them, at present enjoy. Under the first head we have found that some States are entitled to a credit in respect of sums paid in cash to the Paramount Power in the form of tributes so-called. Certain other States have commuted their liability for these contributions by lump sum payments or the cession of territory; and we hold that these States are equally entitled to claim a credit in respect of the value of these sums or of that territory, however it may be calculated, as the equivalent of a cash contribution. But there are many States making no direct contribution, and even as between the contributing States the incidence is arbitrary and unequal. Under the second head we have found that there are States which, by virtue of treaty rights or otherwise, pay nothing towards central salt or customs revenues, while others do so; and that some also enjoy certain immunities of less importance, which others do not. Thus neither benefits nor burdens are evenly distributed between the States themselves.

Principles of adjustment of contributions and immunities in the case of individual States.

442. British India is mainly concerned with the aggregate of the States' contributions and immunities, and not with their uneven incidence as between the States *inter se*. The States, however, must enter Federation as separate units, and a balance sheet will, therefore, be required in the case of each individual State. Here certain difficulties require consideration. In the first place, it is clearly impossible to set off the debits of one State against the credits of another. In the second place, though it is natural and indeed inevitable that a State's credits should be set off against its own debits, there are some States who have only credits and others only debits to their account. It is scarcely to be supposed that a State will be willing to enter Federation if it has much to lose and nothing to gain, as must clearly be the case if it is to be debited with the full value of its immunities and has no credits on the other side of the account. These immunities or privileges are in the great majority of cases secured to the State by Treaty, and we are not prepared to recommend that a State should be compelled to choose between exclusion from Federation and complete surrender of its existing rights. The anomalies of the present situation have their roots in the past, and their existence must be recognised. Central revenues will not be affected thereby to any greater extent than they are at present, and this is clearly a case where insistence upon uniformity will not only fail to advance the cause of Federation but might gravely prejudice it.

443. We do not, however, intend to suggest that a State which enters Federation can continue in the enjoyment of privileges or immunities which are definitely inconsistent with the federal ideal and at the same time claim remission of tribute or other contributions on the ground that these are of a feudal character or are unknown in other federations. We recommend, therefore, that, whenever it is proposed to remit a contribution of this kind, the value of any privilege or immunity from ordinary federal burdens shall be set off against the proposed credit and no remission or payment made unless the credit exceeds the debit, and then only to the extent of the balance. In one case only we do not recommend the application of this principle, namely, that of cash contributions in excess of five per cent. of the revenue of a State. The remissions which we have recommended in this case are intended to be immediate, that is to say, prior to Federation, so that no question of "credits" and "debits" arises in regard to them.

Application of principle illustrated.

444. Three illustrations of possible cases will make clear the manner in which our recommendations would work out. Thus :—

- (i) State A pays a cash contribution of Rs. 10 lakhs and enjoys no immunities. State B enjoys an immunity valued at Rs. 5 lakhs and pays no cash contribution.

State B's Rs. 5 lakhs cannot be set off against the cash contribution of Rs. 10 lakhs payable by State A. The Rs. 10 lakhs payable by

State A will be remitted by instalments, entirely irrespective of whether State B's immunity is continued or not.

(ii) State C is entitled to a credit of Rs. 5 lakhs annually on account of a cash contribution ; it also enjoys immunities of the annual value of Rs. 3 lakhs.

The maximum remission to which State C will be entitled will be Rs. 2 lakhs so long as the value of its immunities remains unchanged.

(iii) State D is entitled to a credit of Rs. 4 lakhs annually on account of ceded territories ; it also enjoys immunities of the annual value of Rs. 10 lakhs.

State D will continue to enjoy its immunity, but will receive nothing on account of ceded territories so long as the value of the immunity is not less than Rs. 4 lakhs annually.

Effect of Recommendations on Federal Budget.

445. Our recommendations, however, involve the progressive extinction of credits and the acceptance of liabilities at the expense of federal revenues, in the case of cash contributions (on the assumption that they are placed at the disposal of the Federation) by their gradual remission, and in the case of ceded territories by direct payments from the Federation to certain individual States. Thus the cash contributions from the States would be a diminishing receipt, while the payments in respect of ceded territories would for a term of years be an increasing liability on federal resources. Again, there are States which enjoy immunities at the expense of federal revenues, which they have shown little inclination to relinquish, even in return for cash compensation. On the figures so far as we have been able to ascertain them (apart from those which we have made no attempt to estimate, such as the contributions of the States towards defence as represented by the Indian States Forces), the gross amount of the cash contributions of the States to federal revenues will not in any circumstances exceed Rs. 63 lakhs (or Rs. 59 lakhs, taking into account contributions now allocated to special or local purposes). These figures are arrived at after deduction of the immediate remissions (approximately Rs. 12 lakhs) which we recommend, and we have proposed that the balance, apart from the contributions for special or local purposes, should be progressively reduced at least *pari passu* with the return of the proceeds of income tax to the provinces. The cash contributions will not, however, be entirely extinguished so long as any immunities remain outstanding in account with the contributing States. At the same time the entry into Federation of certain States would under our recommendations entitle them to receive, *pari passu* with the extinction of cash contributions, annual payments on account of ceded territories which might amount ultimately to approximately Rs. 37 lakhs.

446. But a number of States will continue to enjoy immunities and privileges at the expense of the Federation without making any equivalent contribution in return. Thus not only do our recommendations provide only a partial remedy for the existing want of uniformity of contribution, but they also contemplate the imposition

on federal revenues of a burden which does not fall upon the central revenues of the Government of India as constituted to-day. It is impossible, for reasons explained in the earlier chapters, to state the exact sum which this additional burden represents, but we estimate the ultimate figure at approximately Rs. 1 crore per annum. This, however, is a gross figure. As shown in para. 443, certain States enjoying immunities will continue to pay cash contributions so long as their immunities remain. On the other hand, we have made recommendations with respect to immunities which, if accepted, would result in a substantial addition to federal revenues.

447. It is right, however, to point out that the impossibility of securing uniformity in the first stages of Federation was fully recognised in the proceedings of the Round Table Conference, and our recommendations have gone as far in the direction of securing it as we believe to be practicable. The proposals of the Conference indeed definitely included the remission to the States of some Rs. 70 lakhs per annum under the head of cash contributions and envisaged the possibility of a further liability on account of ceded territories. It may also be pointed out that the States will, as federal units, bear their share of this burden, and that it will not fall exclusively on the provinces of British India.

448. Finally it is not irrelevant to observe that the States who enter Federation will be called upon to share with the provincial units in the cost of subsidising the deficit provinces, which will stand in very much the same relation to the Federal Government as those States which enjoy immunities and make no corresponding contributions in return.

Concluding Remarks.

449. But if, after every adjustment has been made and every consideration which we have mentioned has been taken into account, there is still a substantial balance against British India, even this is not the last word. By the very fact of their entry into Federation, the States make a contribution which is not to be weighed in golden scales. We are far from saying that the financial aspect of Federation is not of very great importance, especially in these difficult times ; but it is necessary also to preserve a sense of proportion, and to view all the elements of the problem in due relation to one another. It is on these grounds that we justify the recommendations in our Report, which represents an honest endeavour to do justice between the parties and to establish a fair and equitable basis which both of them can accept without prejudicing either their interests or their self-respect.

450. We must, in conclusion, express our great appreciation of the services of our Secretaries, Mr. K. S. Fitze, C.I.E., of the Political Department of the Government of India, and Mr. P. J. Patrick, of the India Office. Their industry, their ability and their wide knowledge of the subject-matter of our enquiry have been invaluable to us, and we desire to record, and that in no formal sense, our deep obligations to them.

451. We wish also to thank both the British and Indian members of our small clerical staff. The conditions under which they worked in India were necessarily exacting, and the speed and efficiency with which they prepared and arranged the mass of memoranda and statistics on which our Report is founded were beyond praise.

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HASTINGS.

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MAURICE GWYER.

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London,

1st July, 1932.



SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS.

CHAPTER III.—CASH CONTRIBUTIONS.

We deal in this chapter with the type of contribution generally known as tribute, payable to the Paramount Power (paras. 34 and 37).

They fall into two categories :—

- (1) Those imposed or negotiated by British authority ;
- (2) those transferred by or inherited from previous suzerain powers or overlords (para. 41).

Under (1) we distinguish five classes, the first three comprising tributes arising from suzerainty, or obligations of a military character, the last two from the restoration or grant of territory, or the maintenance of local corps, police, etc., for special and local purposes (para. 42).

Under (2) we distinguish two classes, the first comprising contributions acquired by conquest or lapse, the second, contributions assigned by treaty (para. 43).

The contributions are, in general, not of a feudal nature, and the principle of uniformity of contribution to federal resources, rather than any argument from feudal analogies, provides ground for remission (paras. 63-64).

We recommend for remission contributions falling under the first three classes which are not in return for material assets or for special or local purposes (para. 65).

We hold that territory, as opposed to land held as private property, should not be considered a "material asset," and we recommend that the fourth class of contributions be included for remission with the first three classes (para. 71).

We find that contributions for special or local purposes require, in general, further examination and decision on principles indicated, but we have provisionally classed them for remission, with the exception of the contribution from the State of Baroda, paid and used for the police of the tributary areas (paras. 73-75).

We also recommend for remission contributions acquired by conquest or lapse (para. 76).

We recommend that the assigned tributes specified in Appendix III, Class (7) should revert to the States which assigned them *pari passu* with the remission of those directly acquired (paras. 82-83).

We regard inter-State tributes as anti-federal and express the hope that they will disappear (para. 81).

We recommend also :—

that fluctuating tributes should be stabilised at their present figures, and that the conditions attached to certain other tributes already remitted should be removed or relaxed (paras. 84-85) ;

that the securities representing the amounts paid for capitalized tributes should be returned *pari passu* with the remission of annual payments (para. 86) ;

that immediate relief should be given by the remission of the amount of any contribution which is in excess of 5 per cent. of the total revenues of the State which pays it (para. 88) ;

that the remaining payments should disappear, at least *pari passu* with the income tax contributions from the Provinces, but that a moiety should be extinguished at the latest in ten years from federation, and the whole within twenty years (para. 90).

We estimate that the immediate relief will amount approximately to Rs. 12 lakhs a year, and that the net amount excluding these Rs. 12 lakhs, but including contributions in respect of local corps which will rank for remission, will not exceed Rs. 63 lakhs a year. If the savings resulting from disbandment of local corps are set off against the remissions, the total net cost to Government will be Rs. 59 lakhs a year (para. 89).

CHAPTER IV.—CEDED TERRITORIES.

We have, in accordance with our Terms of Reference, taken into consideration only territories ceded by States in return for specific military guarantees, and cases of cessions *ejusdem generis* (para. 91).

We have found certain cessions of territory by Hyderabad, Baroda, Gwalior, Indore and Sangli to be within our Terms of Reference, and have identified the territories in each case except that of Indore, where, for reasons which we explain, identification is unnecessary (paras. 107, 122, 141, 148, 157-159).

We have considered the valuation placed upon these territories by the Special Committee appointed for the purpose by the Government of India, but we have been unable to use the results (paras. 100-101).

We have considered alternative methods of valuation suggested by the States, but have been unable to accept them (paras. 102-104).

We adopt, with certain modifications, the net value at the date of cession as the basis of our recommendations (para. 105).

After giving an account of the history of the cessions which have been made by the above five States, we recommend that the following annual credits be allowed in respect of the territory ceded by the undermentioned States.

					<i>Rs. in lakhs.</i>
Baroda	..	..	..	..	22.98 (para. 132).
Gwalior	..	..	..	..	11.78 (para. 146).
Indore	..	..	..	..	1.11 (para. 151).
Sangli	..	..	..	..	1.10 (para. 162).

In the case of Hyderabad we recommend no such credit, as the State has asked that the military guarantee for which it ceded territory may instead continue in being (para. 116).

We recommend that the annual credits which we have proposed should become effective in the adjustments with the States in question *pari passu* with the reduction of the contributions to be paid by the provinces to Federal revenues (para. 164).

CHAPTER V.—MISCELLANEOUS CONTRIBUTIONS.

Our conclusions and recommendations are :—
in regard to :—

(i) Indian States Forces, that the financial adjustment should be deferred until after Federation (para. 173) ;

and in regard to :—

(ii) Railway lands, (iii) cantonments and civil stations,

(iv) excisable commodities, and (v) “lapsed inams” and similar cash payments in the Bombay Presidency, that the grievances at present felt by the States can be removed by the specific measures which we have suggested and that thereby all claims under these heads can be disposed of without any financial adjustment as regards federal revenues (paras. 174-199) ;

and in regard to :—

(vi) other miscellaneous cash payments (towards maintenance of roads, medical relief and Thana administration), that these raise no financial question affecting Federation (paras. 200-202).

We have not therefore placed a cash value for the purposes of financial adjustment on any of the various contributions which the States claim to be making under the above heads.

CHAPTER VI.—SALT.

In the introductory paragraphs of this Chapter (paras. 203-208) we have given some account of the magnitude and origins of India's salt supply, the system of its taxation and the financial importance of this feature of the Indian fiscal system, it being estimated by the Federal Finance Committee that the net receipts from salt taxation should amount to Rs. 555 lakhs, or about 6½ per cent. of the estimated federal revenues.

We also show (paras. 209-214) how between 1870 and 1885 the Government of India, by a series of Agreements with salt-producing States, were able to establish a practical monopoly of production and to remove the customs barriers previously maintained against States. Reference is made (paras. 211-214) to the principles adopted for purposes of those Agreements and to their effect upon the States concerned, which has in some instances given rise to a sense of grievance which still exists.

We describe at some length (paras. 228-235) the special cases of the States of Kathiawar and of Cutch, whose Agreements subjected them without compensation to very definite restrictions in regard to the output and sale of salt, but who contribute nothing towards the central salt revenue.

Except in the cases of States in Kathiawar and Cutch, we see no ground for recommending any immediate revision of existing Agreements. The question of revising other Agreements will be for consideration in due course by the Federal Government, which may deem it desirable to arrange that salt sources closed or restricted

under the present Agreements should be reopened in order to diminish the importation of foreign salt and to rid itself of compensatory liabilities (paras. 215-218).

To the extent that certain States, or their inhabitants, would under existing arrangements be exempt from contributing to federal revenues through the incidence of the salt tax, we find that they are undoubtedly in enjoyment of immunities. These immunities, as calculated by us (Appendix V) amount in all to Rs. 46,06,057, of which Rs. 7,90,906 relates to Kathiawar and Cutch. In making these calculations we have carefully scrutinized the salt Agreements with a view to excluding compensatory or other payments which, in our opinion, do not rank as salt immunities (paras. 219-222), though, as will appear from Chapter VIII, some of them constitute immunities of another kind.

In regard to Kathiawar and Cutch we suggest (paras. 228-235) that all existing restrictions on the manufacture and marketing of salt should be removed, subject to the condition that the States concerned should permit collection of the federal salt duty by federal officers at the source of manufacture, together with the application of such administrative regulations as are common to the maintenance of salt works and the movement of salt throughout India.

CHAPTER VII.—SEA CUSTOMS AND PORTS.

After setting out some of the difficulties in the way of bringing the views of the States with regard to their ports into harmony with the requirements of Federation, we give a general account of all the ports belonging to the maritime States (paras. 239-250).

The Treaty rights of Travancore and Cochin in the port of Cochin are described, with special reference to the Inter-portal Convention of 1865 and the Four-party Port Agreement of 1925 (paras. 251—265).

We examine a claim by Travancore under the Convention of 1865, and give our reasons for being unable to regard it as giving rise to “ascertained existing rights” within our Terms of Reference (paras. 266—274).

We note the value to Travancore and Cochin at the present time of their ascertained rights under the Agreement of 1925 and draw attention to various factors which may substantially affect that value in the near future (paras. 275—283).

After a general description of the Kathiawar peninsula, we give the history of the Viramgam Line, of its abolition in 1917, and of its reimposition in 1927 after the failure of the Mount Abu conference. The action taken by the Government of India on the representations submitted by Nawanagar, Junagadh, Morvi and Porbandar after the reimposition of the Viramgam Line is also described (paras. 284—311).

An account is given of the special Treaty rights of Bhavnagar (paras. 312—317).

An account is given of the physical characteristics and trade of the ports of Bhavnagar, Jafarabad, Verawal, Mangrol, Porbandar, Okha, Bedi Bandar and Navlakhi, and of the value of the customs collections retained by them since the reimposition of the Viramgam Line (paras. 318—336).

We give an estimate of the yield of customs collections by the maritime States of Kathiawar on alternative assumptions :— (1) that the Viramgam Line is maintained as at present, (2) that the Line is wholly abolished, and (3) that the Line is advanced so as to divide the inland States from the maritime States of Kathiawar (paras. 337—345).

We survey the existing position in regard to certain other maritime States outside Kathiawar, viz., Cambay, Janjira, Savantwadi, Cutch and Sachin (paras. 346—355).

We examine certain special claims by Baroda (paras. 356-360).

The special cases of the Treaty claims and rights of Hyderabad and Kashmir are dealt with (paras. 361—368).

We explain the difficulty of making any estimate at the present time of the value of the existing rights of maritime States (paras. 369—374).

We recommend that negotiations should be begun for the purchase of the rights of Travancore and Cochin in Cochin port and that steps should be taken to adjust the difficulties which arise from the present divided ownership and jurisdiction of the port (paras. 375-379).

For reasons stated in paragraphs 380-381, we find ourselves unable to recommend that any offer should be made at the present time for the acquisition of the customs rights of port owning States.

We express the opinion that the ideal of a true Federation is difficult to reconcile with the retention by any federal unit of customs duties collected at its ports, but we recognise that no maritime State is likely to relinquish this right (paras. 380—381).

In order that no maritime State may be thereby prevented from entering Federation we recommend for consideration a compromise arrangement under which such States would be enabled to retain the duties on goods imported through their own ports for consumption by their own subjects. We recognise that no such arrangement could be made, except with the consent of the State concerned, where its effect would be to curtail Treaty rights (para. 382).

We discuss the methods by which such an arrangement could be made effective, and the question whether it would necessarily involve any measure of inspection or supervision of customs administration by federal authority (para. 383).

CHAPTER VIII.—MISCELLANEOUS IMMUNITIES.

Posts and Telegraphs.—We are unable to recommend acceptance of any claims by States to share in the profits, if any, of the department. We are of opinion that all such receipts must accrue to and be retained by the Federal Government (para. 388).

In view of principles already accepted by the Government of India, we have no recommendations to make in regard to the "guarantee system" (paras. 389-390), the banking operations carried on by the postal department (para. 391), or the mail robbery rules (paras. 392-393).

We have arrived at the conclusion that the maintenance of separate postal systems by certain States (Appendix VII, Schedule A) constitutes a privilege of a political and sentimental nature rather than an immunity to which a cash value could be attached (paras. 396-398).

Free grants of service stamps are made to certain States for official correspondence up to an aggregate value of Rs. 3,12,385 per annum (Appendix VII, Schedule B). We recommend (para. 401) that :—

(1) No extension of the concession should be made to any State which is not at present in enjoyment of it.

(2) In the case of States which are now enjoying the concession :—

(a) no increase in the present value of the concession should be made unless the right to demand such an increase is specifically conceded under existing arrangements ;

(b) where the existing arrangements provide for a concession on a varying scale, steps should be taken, by negotiation with the States, to substitute a fixed figure.

(3) Existing concessions should be treated as immunities and, where there is no scope for setting them off against special contributions, endeavour should be made, by negotiation with the States concerned, to extinguish them in return for a cash composition.

Privileges enjoyed by certain States in regard to free carriage of their official correspondence cannot be arbitrarily withdrawn, but should be treated as immunities (para. 402). The aggregate value of these immunities has been estimated at Rs. 7,14,640 (Appendix VII, Schedule C).

After scrutiny of the privileges enjoyed by certain States in respect of telegraph systems we are of opinion that these cannot justifiably be treated as immunities (paras. 403-406).

Coinage and Currency.—We are unable to recommend any acceptance of claims for distribution of currency profits among federating units (paras. 408-409).

We examine the question whether the privileges enjoyed by certain States in respect of the issue of their own currency should be treated as immunities on the ground that they may limit, by competition or restriction, the free circulation of the federal currency.

After full consideration of the potentialities of currency issue as a source of profit we are not prepared to recommend that rights to issue metallic currency should be classified as immunities, but are unable to take the same view of a case where currency notes are

also issued. In the case of Hyderabad, the only State in possession of this double right, we have to recommend that it should be treated as an immunity. On the basis of population and active note circulation we attach to this immunity a cash value of approximately Rs. 17 lakhs per annum (paras. 410-411).

We also recommend that in any case where the reopening of mints closed under past agreements for a definite term of years, or the continued issue of metallic currency may be considered inimical to the interests of the federal currency, efforts should be made to arrange by negotiation, that such operations should be confined within purely nominal limits or to the production of coins intended for ceremonial as opposed to currency purposes (para. 412).

Land Customs and Transit Duties.—We agree with the Peel Committee that it is impossible for States to abolish immediately or in the near future the land customs barriers which most of them maintain, and that it would be unjustifiable to attempt to buy out such rights at the cost of federal revenues. In these circumstances, and having regard to the grievances arising out of existing anomalies and inequalities, we are inclined to favour the removal of restrictions on the levy of land customs duties in the relatively few cases where such restrictions are still in force. But, apart from the retrograde and anti-federal implications of such a measure, we entertain misgivings as to the consequences which might ensue from the possible erection of protective barriers. In so far, therefore, as we are able to formulate any recommendation, it is to the effect that, pending the attainment of the ideal of universal internal free trade, relaxation of existing restrictions should be permitted only in cases where there is no room for doubt that such action would be justified by local conditions and would not involve risk of serious repercussions on trade outside the territory of the State concerned (paras. 413-419).

We do not recommend any abrogation of existing arrangements for the abolition of the taxation of salt by States or for the abolition of transit duties. But all compensation payments now made to States in respect of such arrangements should, in our opinion, be treated as immunities (paras. 420-421). For reasons given in para. 422 it has not been possible to prepare a schedule detailing the payments concerned.

Courtesy Concessions in respect of Sea Customs.—For reasons given in paras. 428-429 we are unable to recommend any increase in the number of Rulers of Indian States who at present enjoy (a) the major concession of importing free of customs duty all goods intended for their personal use, or (b) the minor concession of passing their personal effects through the customs free of duty when returning to India from abroad.

We recommend the continuance of both concessions on the existing scale, but only subject to the condition that the major one should now be extended to the Viceroy and Governor General. We also advocate the extension of the minor concession to

all Governors of Provinces on entry into India to take up their appointments or on return from leave of absence (paras. 431-432).

We further recommend that the opportunity should be taken of constituting the Viceroy as the sole and final deciding authority in the event of any dispute arising in connection with these concessions (para. 433).

CHAPTER IX.—CONCLUDING CHAPTER.

We regard our recommendations as applicable only for the purposes of a financial adjustment between the States and British India on their entry into Federation, and not for any other purpose (para. 435).

We have found it impossible to make recommendations providing for a uniform distribution of benefits and burdens either between the States and British India or between the States themselves (paras. 439-441).

We find that the financial adjustment with the States must take the form of a separate settlement with each State on its entry into Federation (para. 442).

We recommend that the settlements with individual States should be made on the principles which we have proposed in the foregoing Chapters ; but that, whenever it is proposed to remit an existing cash contribution or to give credit for the cession of territory, the value of any privilege or immunity enjoyed by the State in question should be set off against the proposed remission or credit ; and that no remission or payment should be made unless the credit exceeds the debit, and then only to the extent of the balance (para. 443).

We except from the above recommendation the case of cash contributions when in excess of 5 per cent. of the revenue of a State. This excess we propose should be immediately remitted (para. 443).

We are unable to give the aggregate annual value represented by the immunities and privileges which a number of States will continue to enjoy without making any equivalent contribution in return. We, however, estimate that our recommendations would impose on federal revenues an ultimate gross burden of approximately Rs. 1 crore per annum additional to that borne by the central revenues of the Government of India to-day. This figure, however, would be liable to a substantial reduction by reason of the set-off which we recommend, and of any increase in federal revenues resulting from recommendations which we have made in the field of immunities (paras. 445-446).

APPENDICES.

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APPENDIX I.

Extract from Report of Federal Finance Sub-Committee of Federal Structure Committee of Indian Round Table Conference, September-December, 1931.

16. *Provincial Contributions.*—We have, subject to certain reservations, proposed the allocation to the Provinces of the proceeds of taxes on Income, without, so far, any corresponding reinforcement for the Federal Government. If the Expert Committee unexpectedly found that Federal resources were such as to give a secure prospect of recurring revenues sufficient to meet this loss immediately (and also a loss in respect of the heads dealt with in paragraph 17 below), many difficulties would, of course, be removed. But, on the provisional basis set out in paragraph 4, we are bound to assume that there may be a substantial Federal deficit, due to the allocation of Income-tax to the Provinces. The deficit, in so far as it arises from the above cause, should, we suggest, be met by Contributions from the Provinces, to be divided between them either on the basis of their respective revenues or of population, or according to some other defined method. The Expert Committee should consider what is the most appropriate basis. This basis need not necessarily be the same as that on which the Income-tax proceeds are distributed. Differentiation between the two methods might be used as a means of partially adjusting the burden on Provinces which are specially hard hit by the existing distribution of resources between them.

We further propose that, not merely should it be the declared object of the Federal Government, as its position improves, to reduce and ultimately extinguish these Contributions, but the constitution should specifically provide for their extinction by the Federal Government by annual stages over a definite period, say, ten or fifteen years.

17. *States' Contributions.*—In the scheme proposed above, the Federal burdens will be spread over all the Units of the Federation in a precisely similar manner except for :—

(a) The above-mentioned Contributions from the Provinces, until such time as they are finally abolished ;

(b) such direct or indirect contributions as are, or have been, made by certain States, of a kind which have no counterpart in British India ; and

(c) varying measures of immunity in respect of Customs and Salt enjoyed by certain States.

We now turn to consider what the States' contributions are, or may be ; but, at the outset, we would lay down the general principle that, subject to certain exceptions specified below, the direct or indirect contributions from the States referred to at (b) should be wiped out *pari passu* with the Provincial Contributions mentioned in the preceding paragraph.

18. *Cash Contributions from States and Ceded Territories.*—The direct or indirect contributions from the States just referred to may arise, or are alleged to arise, under the following heads :—

(i) cash contributions ;

(ii) value of ceded territories ;* and

(iii) contributions in kind for Defence by the maintenance of State Forces.

(i) Cash contributions from States (till recently known as tributes) have arisen in many different ways, and it has been impossible for us to examine the cases of individual States. Nevertheless, we think that there is, generally speaking, no place for contributions of a feudal nature under the new Federal Constitution ; and only the probability of a lack of Federal resources at the outset prevents our recommending their immediate abolition. We definitely

* This term does not include the leased territory of Berar.

APPENDIX I—(contd.).

propose that they should be wiped out *pari passu* with the Provincial Contributions discussed in paragraph 16 above. Meanwhile, there seem to us to be certain cases in which real hardship is inflicted by the relative magnitude of the burden of the cash contributions; and we suggest that it might be possible, without excessive loss being thrown on the Federal Government, to remit at once that part of any contribution which is in excess of 5 per cent. of the total revenues of a State. Apart from this, the circumstances under which the contributions have been levied vary so much that it is necessary for the Expert Committee to undertake (what it has been impossible for us to execute) a detailed examination of each individual case, and, with the above general principles in mind, to express an opinion as to what would be equitable treatment for each of the States in question.

(ii) Without the necessary statistics, we are unable to investigate in detail the claim of the States that, through having ceded territory, some of them will be liquidating a liability in respect of Federal burdens. Here again we propose that the Expert Committee should examine the whole question, and pronounce an opinion as to the equities in each individual case.

19. *State Forces*.—(iii) Any attempt to assess the financial value to the Federation of the State Forces would raise many intricate problems into which it has been impossible for us to enter. Close consultation with the Military Authorities and with individual States would be necessary before any solution of this problem could be found. The maintenance and availability of these Forces is at present optional for the States concerned; and we think it likely that, before any credit was given to a State on account of the Force which it maintains, the Federal Authorities would, at all events, wish to prescribe :—

(a) That the Forces should be efficient according to a standard of which the Military Authorities should be the judge, and should also be required for purposes connected with the general Defence scheme of India; and

(b) that these Forces should, by some permanent arrangement, be made available for services to be determined by the competent Military Authorities.

In any case, we regard this as a separate question which should be taken up between the Military and Financial Authorities of the Federal Government on the one hand, and the individual States on the other. We further think that any financial adjustment should be a matter of bargaining between the parties concerned, and should be treated as a separate matter—not on the lines of (a) and (b) of paragraph 17.

20. *Maritime States and Kashmir*.—The States, being on the frontiers of India, are in a special position as regards the question of external Customs duties. Here again, we feel that it is impossible to deprive States of revenue of which they are already in possession. One principle which we would lay down is that, in all cases, the Import tariff at the States' ports should be not less than that at Ports in the rest of India. The question whether Maritime States should agree to the administration of Customs at their Ports being taken over by the Federal Department is obviously one of great importance but hardly comes within the sphere of our enquiry.

Our general conception of the problem is that the Treaties or agreements which vary widely in the different cases, must be taken as they stand, and that any decision as to what are the existing rights of a State, in those instances in which they are now in dispute, should be determined separately, with the least possible delay, and not by the Expert Committee. We think, however, that the latter should investigate the position in each State on its ascertained existing rights, and should express an opinion as to what commutation it would be worth while for the Federal Government to offer to the State for the extinction of any special privilege which it now enjoys. In doing so, the Committee might allow for any contributions of special value which a

APPENDIX I—(contd.).

State may be making to the Federal resources. With this opinion before them, we think it should be left to the Federal Authorities, if they think fit, to negotiate with each State for the surrender of existing rights. The Expert Committee should also attempt to determine what, in the absence of any such surrender, would be the amount which Federal revenues lost owing to the existence of the special right of the State; and this valuation should be taken into account by the Federal Government whenever any question arose, as suggested in paragraph 14 above, of the Federation's distributing surplus revenue over the Federal Units.

APPENDIX II.

Memorandum to all local political authorities for distribution at their discretion to all Darbars interested in financial questions falling within the terms of reference of the States Enquiry Committee.

It is essential that all darbars interested in the Committee's activities should read (a) the Report of the Federal Finance Sub-Committee of the Round Table Conference, 1931 (copies of which, it is understood, are being distributed by the Reforms Office of the Government of India) and (b) the first of the two letters addressed by the Prime Minister to the Committee's Chairman on 16th December, 1931. This letter contains the Committee's terms of reference. It was published in the Press throughout India on 14th January, and it is understood that copies have since been circulated by the Government of India.

2. The matters thus committed to the Committee for examination fall into two main heads :—

(a) Certain privileges or immunities at present enjoyed by certain States. These mainly relate to sea customs and salt, but there are others in connection with Posts and Telegraphs. For instance, several maritime States collect and appropriate sea customs at their own ports. Cochin and Travancore obtain a share of the collections at the British port of Cochin, and Kashmir, under a special treaty, obtains a refund of sea customs duty on goods imported into the State in bond. As regards salt, some States supply their inhabitants from local sources of manufacture, others obtain a free grant of salt or a cash compensation in consideration of their having suppressed, or made over to the Government of India, local sources of supply. In the matter of posts and telegraphs many states enjoy privileges not enjoyed by local governments of British Indian provinces inasmuch as they possess agreements entitling them to the free carriage of their official correspondence or to a free grant of service stamps.

(b) Certain contributions of a special character which many States are now making or have made in the past to the resources of the Government of India. These consist in the main of (1) cash contributions or "tributes" and (2) value of territories ceded in the past in return for guarantees of protection. It may further be held that the forces maintained by certain States also constitute a contribution of this kind in cases where they possess a definite all-India as opposed to a local value and have assigned to them service of this character.

3. In regard to the privileges and immunities referred to in § paragraph 1 (a) above, the Committee desire to have the fullest information to enable them to judge of their value to the States and the probable amount which would be diverted from what are *prima facie* the legitimate revenues of the new Federal Government in the event of their continuation under federation. In the case of customs it is particularly desirable to collect the fullest and most accurate statistics of collections or recoveries in recent years and any information bearing on future prospects in regard to the development or deterioration of trade at the ports concerned. In the case of salt and Posts and Telegraphs, the presentation of the necessary information should be a matter of little difficulty

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APPENDIX II—(contd.).

4. On the assumption that the States concerned will naturally desire the continuation of these privileges and immunities to the utmost possible extent, Darbars are invited to set forth in detail their arguments in support of this proposition and refuting, in so far as they desire to do so, the contrary proposition that the Federal Government ought to be in a position to absorb all revenues from federal subjects and that all federating units should, so far as possible, bear these burdens on a uniform equal basis. It will be borne in mind that this latter proposition is the main basis for the suggestion that the special contributions (tributes, etc.) payable by certain States should not be allowed to continue under a Federal Government.

5. The information which the Committee desire to receive in regard to these special contributions is as follows. As regards *cash contributions or tributes*, they desire to receive from each State concerned a statement showing :—

- (a) The amount paid (in British rupees).
- (b) To whom it is paid (i.e., to the Government of India or to another state).
- (c) A brief account of the origin and purposes of the payment.
- (d) The proportion which the contribution bears to the total normal revenue of the state concerned.
- (e) Any arguments which the state may desire to put forward to support a request for remission.

6. As regards *ceded territories* the Government of India have already arranged in practically all such cases for a detailed examination with a view to identify the areas in question and to estimate their present value. The results of these enquiries which have been carried out in consultation with the States concerned, are expected to be available very shortly and will be supplied to the Darbars who are requested to forward to the Committee any comments or criticisms which they may have to offer as to their accuracy and also, if they so desire, their views as to the kind of action which might be taken to rectify any grievances or features in this connection which appear to them to be inconsistent within equitable system of federal finance.

7. In the case of any cessions which are considered to come within the scope of the Committee's terms of reference, but in regard to which information has not yet been collected by the special committee appointed by the Government of India, the Darbars concerned are requested to forward full details of the areas in question, the circumstances of their cession and any available information bearing on the question of their present value.

8. In the last paragraph of the Prime Minister's letter to the Chairman it has been left open to the Committee to take into account any existing facts in the financial or contractual relations between states and the British Government in India which are not specifically mentioned in the terms of reference but which seem to have a close bearing on the financial position of states in a federal India.

While it is conceivable that financial grievances may be brought to the notice of the committee the rectification of which may seem to them a reasonable requirement as part of the terms on which a State would adhere to the federation, it should be assumed that the Committee's interpretation of its terms of reference will ordinarily be narrow rather than broad.

9. It is hoped that all States interested in any of the above matters will make every effort to ensure that the material required, as indicated above, shall reach the Committee in good time before any oral discussions take place.

There is no objection to such material being forwarded direct, to save time, to the Secretary of the States Enquiry Committee, Camp, India, but copies should be simultaneously supplied to the Political authority or local Government concerned. If these latter have any comments to offer thereon, they are requested kindly to communicate them to the Committee as soon as possible.

APPENDIX III.

CASH CONTRIBUTIONS.

SCHEDULE A.

Contributions imposed or negotiated by British Government :—

- (1) in acknowledgment of suzerainty, including obligations to aid and protect on the one side, and to give subordinate co-operation on the other ;
- (2) in commutation of obligations for the provision of a State " contingent force " or other form of military assistance ;
- (3) for maintenance of a British " subsidiary force " ;
- (4) fixed on the creation or restoration of a State, or on a re-grant or increase of territory (including annual payments for grants of land on perpetual tenure and for equalisation of the value of exchanged territory) ;
- (5) for special or local purposes, such as the maintenance of local corps, police, etc.

SCHEDULE B.

Contributions originally paid to another State, but subsequently acquired by the British Government :—

- (6) by conquest or lapse of the original recipient ;
- (7) by assignment from the original recipient.

APPENDIX III.

SCHEDULE A.

Contributions imposed or negotiated by British Government :—

- (1) in acknowledgment of suzerainty, including obligations to aid and protect on the one side, and to give subordinate co-operation on the other.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Rajputana Agency.</i>			
135.	Bundi	.. 40,000	Tribute payable under Treaty of 1818, article 6, as " Chauth " (or one-fourth of revenue) of Bundi and other places. Article 2 promised Bundi the protection of the British Government.
141.	Jaipur	.. 4,00,000	Tribute payable under Treaty of 1871, whereby stipulation in Treaty of 1818, in which protection accorded to Jaipur, for a tribute of Rs. 8 lakhs, was amended.

APPENDIX III—(contd.).

SCHEDULE A.

Contributions imposed or negotiated by British Government :—

(1) in acknowledgment of suzerainty, including obligations to aid and protect on the one side, and to give subordinate co-operation on the other.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Rajputana Agency—(contd.).</i>			
150.	Sirohi ..	6,881	Sum to which tribute of Rs. 13,763, fixed under Treaty of 1823 according protection, was reduced in recognition of Mutiny services. (The original tribute was by the treaty to be determined three years after its conclusion, subject to its not exceeding three-eighths of the State's revenue.)
148.	Udaipur ..	2,00,000	By the Treaty of 1818 according protection the tribute was fixed at one-fourth of the State's revenue for five years and thereafter three-eighths in perpetuity. In 1826 the amount payable was limited to Rs. 3 lakhs and in 1846 was reduced on account of the financial embarrassment of the State to Rs. 2 lakhs, at which figure it has remained.
130.	Kotah ..	1,31,250	By Treaty of December, 1817, Kotah accepted the protection of the British Government and agreed to pay tribute at the rate formerly paid to the Mahrattas. At the time this amounted to about Rs. 2,70,000 and was shared between the Peshwa, Scindia, Holkar and Dhar. By the Treaty of November, 1817, with Scindia it had however been separately agreed that Scindia's shares of the Kotah tribute (Rs. 94,217 and Rs. 9,252) should be assigned by him for maintenance of the Gwalior Contingent. These amounts, therefore, though included in the total paid by Kotah, have been separately shown as assigned tributes [see Class (7) of this Appendix].

APPENDIX III—(contd.).

SCHEDULE A.

Contributions imposed or negotiated by British Government :—

(1) in acknowledgment of suzerainty, including obligations to aid and protect on the one side, and to give subordinate co-operation on the other.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Rajputana Agency—(contd.).</i>			
130. (contd.).	Kotah (contd.).		The portion of the Kotah tribute originally paid to the Peshwa was later remitted, and Rs. 80,000 was transferred to be paid by Jhalawar when created out of Kotah in 1838 as a separate State. Subsequently, Rs. 50,000 was retransferred to be paid by Kotah in 1899, when a portion of Jhalawar was again attached to Kotah [see Class (5) of this Appendix], leaving the amount shown to be paid by Kotah.
<i>Madras States Agency.</i>			
119.	Cochin	1,00,000	Treaty of 1791, article 4, promised assistance in recovering possessions in occupation of Tipu Sultan in return for tribute and guaranteed protection.
<i>Mysore.</i>			
124.	Mysore	24,50,000	Treaty of 1799, article 2, promised protection by a military force to Hindu dynasty restored on fall of Seringapatam in return for annual payment of 7 lakhs of Star Pagodas (Rs. 24½ lakhs). Treaty of 1807 stipulated for upkeep by Mysore of 4,000 horse as a contingent force in lieu of pecuniary liabilities under the former treaty. Instrument of Transfer, 1881, on transfer to Maharaja of management of administration, fixed total contribution at Rs. 35 lakhs and relieved him of obligation of maintaining contingent force. Same provisions in Treaty of 1913. With effect from 1st April 1928, the contribution was reduced from Rs. 35 lakhs to its original figure of Rs. 24½ lakhs.

APPENDIX III—(contd.).

SCHEDULE A.

Contributions imposed or negotiated by British Government :—

(1) in acknowledgment of suzerainty, including obligations to aid and protect on the one side, and to give subordinate co-operation of the other.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Western India States Agency.</i>			
409.	Porbandar ..	15,000	By Agreement of 1809, article 1, Porbandar ceded half its port to the British Government with full participation in the rights thereof, and, by article 4, was assured British protection, for which purpose a British detachment was to be stationed at the port. Subsequently the British Government leased to Porbandar for Rs. 26,000 a year its rights in the port, and in 1853 withdrew the detachment, but reduced the payment to Rs. 15,000, at which it still stands.

(2) in commutation of obligations for the provision of a State "contingent force" or other form of military assistance.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Central India Agency.</i>			
13.	Bhopal ..	1,61,290	By Treaty of 1818, article 6, Bhopal agreed to furnish a contingent of 600 horse and 400 infantry. This by Supplementary Article of 1849 was converted into a cash contribution to British Government for expenses of upkeep of the contingent, which since the Mutiny has been disbanded and its duties transferred to the regular British forces.

APPENDIX III—(contd.).

SCHEDULE A.

Contributions imposed or negotiated by British Government :—

(2) in commutation of obligations for the provision of a State "contingent force" or other form of military assistance.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Central India Agency—(contd.).</i>			
27.	Indore ..	Nil. (1,11,214)	Treaty of 1818, article 11, stipulated for retention of not less than 3,000 horse to co-operate with British Government. In virtue of this stipulation a contingent was formed by the British Government, and subsequently concentrated at Mahidpur, to which Indore, Jaora, and Dewas (q. v.) supplied forces. In 1841 the supply of troops in each case was commuted into a cash contribution, capitalized in 1865 for Rs. 23,91,520 to include as well an annual contribution of Rs. 7,862 towards the Malwa Bhil Corps—see Class (5)—the duties of the contingent, which mutinied in 1858, having been taken over by the regular British forces.
80.	Jaora.. ..	1,37,127	Treaty with Indore, 1818, article 12, whereby State of Jaora was created, stipulated for maintenance of 600 horse, subject to augmentation, in constant readiness for service. In 1823 the force was fixed at 500 horse and 500 foot with 4 guns. The force was used to form the Mahidpur Contingent and the obligation to furnish troops was commuted in 1842 into a money payment.
56. 60.	Dewas, Senior and Junior.	28,475	Treaty of 1818, article 2, stipulated for maintenance of 50 horse and 50 foot, augmented in 1827 to 75 horse and 200 foot, which were used for the Mahidpur Contingent. In 1842 the obligation was converted into a cash contribution of which each State pays a moiety.

APPENDIX III—(contd.).

SCHEDULE A.

Contributions imposed or negotiated by British Government :—

(3) for maintenance of a British "subsidiary force."

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
Madras States Agency.			
120.	Cochin ..	1,00,000	Treaty of 1809, article 2; for expense of one battalion of native infantry.
121.	Travancore ..	3,81,456	Treaty of 1795, article 3; for expense of three battalions of sepoys, a company of European artillery and two companies of lascars.
122.	Do. ..	4,01,655	Treaty of 1805, article 3; for expense of one battalion of native infantry in addition to contribution under Treaty of 1795, and in quittance of obligation to supply a contingent force in time of war.

Contributions imposed or negotiated by British Government :—

(4) fixed on the creation or restoration of a State, or on a re-grant or increase of territory (including annual payments for grants of land on perpetual tenure and for equalisation of the value of exchanged territory).

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
Rajputana Agency.			
137.	Jhalawar ..	30,000	On its creation in 1838 Jhalawar was charged with a tribute of Rs. 80,000, the tribute of Kotah out of which it was formed being correspondingly reduced. In 1899, when the direct line of the original Ruling House had become extinct, the State was regranted in a diminished form to the father of the present Ruler, the rest of its former territory reverting to Kotah, which became charged with Rs. 50,000 of the tribute originally fixed, leaving a balance of Rs. 30,000 to be paid by Jhalawar.

APPENDIX III—*contd.*).

SCHEDULE A.

Contributions imposed or negotiated by British Government :—

(4) fixed on the creation or restoration of a State, or on a re-grant or increase of territory (including annual payments for grants of land on perpetual tenure and for equalisation of the value of exchanged territory).

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Rajputana Agency—(contd.).</i>			
142.	Lawa ..	225	Created as a separate Chiefship in 1867 out of the State of Tonk, to which the Chief had paid a tribute of Rs. 3,000 per annum. This tribute was held to have accrued to the British Government, but was kept in abeyance to enable debts to be cleared off until 1883 when the present tribute was fixed.
<i>Central India Agency.</i>			
21.	Ajaigarh ..	7,014	Paid in respect of the taluqas of Ghora and Bichaun, which were granted to the Ruler of Ajaigarh, on restoration of his State after usurpation between 1792 and 1803 by the Peshwa's forces and subsequently by one Lachman Singh. These taluqas appear to have been held by Lachman Singh on lease and not in sovereignty and were so transferred to Ajaigarh; but they have in practice apparently since their grant been treated as if held under sovereignty like the remainder of the State.
22.	Bihat ..	1,400	Paid in respect of the district of Lohargaon, for which in 1829 the Ruler was granted a perpetual lease on his being unable to establish a title to this portion of the State, in which he had been confirmed in 1807 on the British occupation of Bundelkhand. In practice since the grant the Ruler has apparently exercised sovereignty in the district.

APPENDIX III—(contd.).

SCHEDULE A.

Contributions imposed or negotiated by British Government :—

(4) fixed on the creation or restoration of a State, or on a re-grant or increase of territory (including annual payments for grants of land on perpetual tenure and for equalisation of the value of exchanged territory).

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Central India Agency—(contd.).</i>			
23.	Charkhari ..	8,584	Paid in respect of the pargana of Chandla and taluqa of Bhina which were leased to the Ruler of Charkhari in 1811 and 1809 respectively by the British Government, having been found in occupation by others when in 1803 the British on entering Bundelkhand restored the State to the Ruling Family of Charkhari. In practice since their grant the Ruler has apparently exercised sovereignty in these districts.
25.	Panna ..	9,955	For districts of Sheorajpur and Aktohan, found in occupation of Lachman Singh and others in 1803, and granted in perpetual lease to the Ruler of Panna in 1811 and 1835 respectively. They have apparently in practice been held in sovereignty.
28.	Indore ..	5,285	Annual payment on account of excess of land made over to Indore in territorial exchanges of 1861.
<i>Western India States Agency.</i>			
229.	Cutch ..	82,253	By Treaty of 1816, article 10, Cutch agreed <i>inter alia</i> to cede to the British Government the town and district of Anjar "as a friendly return for the essential services then agreed to be performed." viz., restoration of possessions and aid of a force to reform and settle a disturbed district. In a Treaty of 1819 the State agreed to receive a British subsidiary force to remain until the British Government considered it could be withdrawn with safety. This force was to be paid from Cutch revenues.

APPENDIX III—(contd.).

SCHEDULE A.

Contributions imposed or negotiated by British Government :—

(4) fixed on the creation or restoration of a State, or on a re-grant or increase of territory (including annual payments for grants of land on perpetual tenure and for equalisation of the value of exchanged territory).

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Western India States Agency—(contd.).</i>			
229. (contd.).	Cutch (contd.).		In 1822 Anjar was retroceded to Cutch on condition of the annual payment of a pecuniary equivalent of Rs. 82,253. By a Treaty of 1832 the State agreed to defray the cost of the subsidiary force up to a maximum of Rs. 2 lakhs (Ahmedabad Sicca) inclusive of the Anjar equivalent, and in the event of its reduction or withdrawal to continue a minimum annual contribution of the amount of this equivalent. The subsidiary force was completely withdrawn by 1911. The contribution still being made thus represents a cash commutation for the retroceded town and district.
192.	Bhavnagar ..	52,000	Payment known as Bhavnagar Jama made to British Government under Settlement of 1860 for villages in districts of Dhanduka, Gogho and Ranpore in which Bhavnagar was tacitly permitted to continue to exercise sovereign rights after their cession by the Peshwa to the British Government under the Treaty of Bassein, 1802.
<i>Assam.</i> 515.	Manipur ..	5,000 (50,000)	A tribute of Rs. 50,000 was imposed on the State in accordance with the terms of the Sanad of 1891 whereby it was regranted to its present Ruler after suppression of the rebellion in which five British officers were murdered. Previously no tribute had been paid. The payment was stated at the time to be in order to meet extra expenditure incurred on the State's behalf "as well as to admit its complete subordination." Among the items of expenditure incurred on the State's behalf are the maintenance of a battalion of the Assam Rifles and of a road in its territory.

APPENDIX III—(contd.).

SCHEDULE A.

Contributions imposed or negotiated by British Government :—

(4) fixed on the creation or restoration of a State, or on a re-grant or increase of territory (including annual payments for grants of land on perpetual tenure and for equalisation of the value of exchanged territory).

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Assam—(contd.).</i>			
515. (contd.).	Manipur (contd.).		The tribute was reduced from 1920-21 for ten years, since extended to 1932-33, to its present amount on condition that the balance is spent on the improvement of the administration of the hill areas inhabited by primitive peoples.
<i>Bengal.</i>			
516.	Cooch Bhar ..	67,701	Cooch Behar agreed by Treaty of 1773 to acknowledge subjection to the East India Company, to be annexed to Bengal and to pay a tribute of half its revenues, on being granted protection against Bhutan which had made its Ruler prisoner and taken possession of his territory. The tribute was stabilized in 1780 at its present figure. In 1816 the British Government agreed that interference in the affairs of the State should be limited to advice, so long as they were properly conducted.
<i>United Provinces.</i>			
723.	Benares ..	1,90,000	In 1911 certain tracts of land in the United Provinces comprising part of the family domain of the successors of Raja Chet Singh were constituted into the State of Benares, the Maharaja being created a Ruling Prince. It was provided in the Instrument of Transfer, clause 6, that a tribute of Rs. 1,90,000 should be paid to the British Government to represent the loss of the surplus revenue from the lands affected. A further payment of Rs. 30,387 in respect of loss of revenue on country liquor and opium was imposed in 1912. In 1919 an additional tribute of Rs. 29,000 became payable under a Supplementary Instrument of Transfer of further territory to the State.
724.	.. ..	30,387	
725.	.. ..	29,000	

APPENDIX III—(contd.).

SCHEDULE A.

Contributions imposed or negotiated by British Government :—

(4) fixed on the creation of restoration of a State, or on a re-grant or increase of territory (including annual payments for grants of land on perpetual tenure and for equalisation of the value of exchanged territory).

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
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Punjab States Agency.

127.	Kapurthala	Nil. (1,31,000)	The British Government, on obtaining the Jullundur Doab from the Lahore Government in 1846 after the first Sikh War, restored to the Ruler of Kapurthala his territory on the right bank of the Sutlej, subject to an annual payment of Rs. 1,38,000. This was reduced in 1847 to Rs. 1,31,000 in consideration of the exclusion of the Jagir of Nurmahal from Kapurthala.
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The amount of the original contribution appears to have been determined by commuting on a cash basis the obligation of the State to furnish to the Lahore Government a contingent of horse and foot, a sum of Rs. 35,000 being deducted from the total in respect of certain former possessions of the Ruler not restored to him.

In 1924 the annual payment of Rs. 1,31,000 was remitted in consideration of the efficiency and cost of maintenance of the State Forces on the condition that—

(1) these should be adjudged efficient ;

(2) their cost together with the tribute should exceed 15 per cent. of the State's revenues, and

(3) the remission might be reconsidered by the Government of India if financial or other reasons made this desirable.

APPENDIX III.—(contd.).

SCHEDULE A.

Contributions imposed or negotiated by British Government :—

(4) fixed on the creation or restoration of a State, or on a re-grant or increase of territory (including annual payments for grants of land on perpetual tenure and for equalisation of the value of exchanged territory).

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
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Punjab States Agency—(contd.).

126.	Chamba	..	2,307	The territories of all three States passed into British possession at the conclusion of the First Sikh War in 1846 and were regranted to their previous holders subject <i>inter alia</i> to an annual cash payment.
128.	Mandi	..	1,00,000	
129.	Suket	..	11,000	

In the case of Chamba the original contribution of Rs. 12,000 has been successively reduced to its present figure as compensation for the acquisition of Dalhousie and various lands required for military purposes.

In the case of Mandi there is evidence that the State was previously tributary to the Moghuls, also to the Lahore Government which in 1840 demanded Rs. 1,35,000.

125.	Bilaspur	..	8,000	The British Government in 1867 regranted to the State the parganas of Basse and Bachetru subject to an annual payment as "nazrana." These lands were originally in the possession of the Ruler but seized in 1819 by Ranjit Singh and alienated to another holder from whom they lapsed to the British Government in 1847.
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APPENDIX III—(contd.),

SCHEDULE A.

Contributions imposed or negotiated by British Government :—

(4) fixed on the creation or restoration of a State, or on a re-grant or increase of territory (including annual payments for grants of land on perpetual tenure and for equalisation of the value of exchanged territory).

Serial number in Appendix IV.	Name of State.	Amount. Rs.	Remarks.
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Punjab.

(a) Tributes.

711.	Bashahr	..	3,945	The Gurkhas having been expelled in 1815 from the territories of the Chiefs of the hill districts between the Sutlej and Jumna rivers which they had overrun and occupied, the British Government granted Sanads to the Chiefs conferring on them for the most part the territory in their possession before the invasion, subject to conditions which usually included either an annual cash contribution or an obligation to furnish labour when required for the service of the British Government. The latter obligation has now in all cases been converted into an annual cash contribution. The original obligation was apparently to provide carriers for military transport. The commutation was assessed on the basis of the monthly wages of the stipulated number of carriers.
715.	Jubbal	..	2,520	
721.	Nalagarh	..	5,000	
716.	Kumharsain	..	2,000	

(b) Payments in commutation of Begar.

709.	Baghal	..	3,600	The contributions of <i>Bashahr</i> , <i>Jubbal</i> , <i>Kumharsain</i> and <i>Nalagarh</i> are strictly tributes, as distinguished from cash commutation of labour supply. That of <i>Bashahr</i> , originally Rs. 15,000 but reduced in 1847 in compensation for abolition of transit duty, is stated to be for defraying the expenses of the British protecting force; those of <i>Nalagarh</i> and <i>Kumharsain</i> were imposed in 1840 and 1866 respectively when the States were regranted after lapse on failure of heirs; that of <i>Jubbal</i> was later substituted for an original obligation to furnish 70 carriers.
710.	Balsan	..	1,080	
712.	Bhajji	..	1,440	
713.	Bija ..	..	124
714.	Dhami	..	720	
718.	Kuthar	..	1,000	
717.	Kunihar	..	180	
719.	Mailog	..	1,440	
720.	Mangal	..	72	
722.	Tarooh	..	288	

All these contributions, in cash or in kind, having been imposed by the British Government as part of the conditions of restoration of the dispossessed Rulers to their territories, there appears to be no distinction of substance in their character.

APPENDIX III—(contd.).

SCHEDULE A.

Contributions imposed or negotiated by British Government :—

(5) for special or local purposes, such as the maintenance of local corps, police, etc.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Rajputana Agency.</i>			
151.	Jodhpur	.. 1,15,000	(A) <i>Towards cost of Mina Corps, stationed at Deoli and Erinpura.</i>
131.	Kotah	.. 2,00,000	
140.	Tonk	.. 5,000	

Jodhpur was required under Treaty of 1818, article 8, to furnish 1,500 horse for service with the British Government when required.

The obligation was in 1835 converted into a cash payment of Rs. 1,15,000 to meet the cost of the Jodhpur Legion, an irregular corps which after mutinying in 1857 was disbanded and replaced by the Erinpura Irregular Force, converted in 1904 into the 43rd Erinpura Regiment of the Indian Army, normally stationed at Erinpura in Sirohi. The Mina Corps, formed since the disbandment in 1921 of the 43rd Regiment, is maintained, as were the previous forces, to keep order in the countryside and to provide employment for a proportion of the Mina inhabitants.

Kotah agreed by Treaty of 1838 to the maintenance of an auxiliary force commanded and paid by British Officers at a cost not exceeding Rs. 3 lakhs per annum. The force was known as the Kotah Contingent. Kotah's contribution to it was in 1844 reduced to Rs. 2 lakhs. The troops mutinied in 1857 and from 1897 to 1921 the force was represented by the 42nd Deoli Regiment of the Indian Army, normally stationed at Deoli in Kotah. Since 1921, when the Regiment was disbanded, it has been replaced by the Mina Corps.

Tonk has, since the formation of the Mina Corps, contributed, voluntarily, Rs. 5,000 to its upkeep. Previously the State paid no contribution towards a local corps.

APPENDIX III—(contd.).

SCHEDULE A.

Contributions imposed or negotiated by British Government :—

(5) for special or local purposes, such as the maintenance of local corps, police, etc.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Rajputana Agency—(contd.).</i>			
149.	Udaipur ..	(66,000)	(B) <i>Towards cost of Mewar Bhil Corps.</i> This corps was raised in 1840 with a view to exercising a civilising influence on the Bhils in Mewar State. It also provides guards for residencies at Mount Abu and Udaipur. It is cantoned in the Bhumat of Mewar at Kherwara and Kotra. Nominally the cost of maintenance is met from the revenues of villages in the Mewar-Merwara district which have remained under British administration since they were occupied and divided between the British Government, Udaipur and Jodhpur in 1819-21. By the terms of an arrangement of 1863 Udaipur is entitled to any surplus available should the receipts of the district exceed Rs. 66,000, which amount was calculated to cover the cost of administration and the maintenance of the Mewar Bhil Corps and Merwara Battalion (another Local Corps since converted into troops of the line). Actually there is a loss on the administration of these villages and the entire cost of the corps is a direct charge on the revenues of India.
<i>Central India Agency.</i>			
29.	Indore ..	Nil.	(C) <i>Towards cost of the Malwa Bhil Corps.</i>
104.	Dhar ..	(7,862)	The corps was embodied in 1839 to provide employment and a civilising influence for the Bhils and to maintain order in the Bhil tract in Central India. It maintains guard duties at the Residency, Indore, (where the corps was transferred from Sardarpur in the Bhil tract in 1907) and in the Manpur Agency. Contributing States can demand detachments if necessary, and the corps has also been used in non-contributing States.
106.	Jhabua ..	6,602	
102.	Barwani ..	(18,602)	
99.	Ali Rajpur ..	1,271	

APPENDIX III—(contd.).

SCHEDULE A.

Contributions imposed or negotiated by British Government :—

(5) for special or local purposes, such as the maintenance of local corps, police, etc.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Central India Agency</i> —(contd.).			(C) <i>Towards cost of the Malwa Bhil Corps—(contd.).</i> The previous contribution of Gwalior, Rs. 20,000 (in respect of the State of Amjhera incorporated after the Mutiny in its territory), was remitted in 1925. The contribution of Indore, shown in brackets, was capitalised in 1865, together with its contribution towards the Mahidpur Contingent [see Class (2)]. That of Dhar represents the balance of Rs. 18,602 of which Rs. 12,000 was capitalised in 1880 by transfer of Government securities of the value of Rs. 3 lakhs.
<i>Bombay States.</i> 545. Kolhapur .. About Rs. 96,000 towards Kolhapur Infantry. About Rs. 48,000 towards Residency and pay of Resident.			(D) <i>For Kolhapur Infantry, etc.</i> In the Agreement of 1862, article 9, it was stipulated that the Ruler should defray, as long as might be considered necessary by Government, the expenses of the Agency including the salaries of the Agent and his establishment. Article 6 stipulated that the Kolhapur infantry should be maintained at its present strength under command of British Officers. The payments fluctuate in accordance with actual expenses.
<i>Baroda.</i> 1. Baroda .. 3,75,000			(E) <i>For Police in Kathiawar, Rewa Kantha and Mahi Kantha.</i> Supplement to Treaty of 1817, article 8, stipulated for provision by Baroda of a contingent force of 3,000 cavalry to act with the British subsidiary force. In course of time it came to be used to police the States of Gujerat paying tribute to the British Government and the Gaekwar.

APPENDIX III—(contd.).

SCHEDULE A.

Contributions imposed or negotiated by British Government :—

(5) for special or local purposes, such as the maintenance of local corps, police, etc.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<hr/>			
<i>Baroda—(contd.).</i>			(E) <i>For Police in Kathiawar, Rewa Kantha and Mahi Kantha—(contd.)</i> From 1841 Baroda contributed Rs. 3 lakhs per annum, in addition to paying for the upkeep of a British irregular force to aid the former force. The second force was disbanded in 1858 and the contribution remitted. From 1881 the Baroda contingent has also been disbanded and the British Government has become solely responsible for policing the tribute-paying States, Baroda having commuted its obligation for the present cash contribution which is deducted from the inter-State tributes collected by the British Government on its behalf. The total cost of the police force is Rs. 8,51,234.

SCHEDULE B.

Contributions originally paid to another State, but subsequently acquired by the British Government :—

(6) by conquest or lapse of the original recipient.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<hr/>			
<i>Madras States Agency.</i> 123.	<i>Travancore</i>	13,519	(A) <i>Derived from Nawab of Carnatic. Equivalent of "peshkash" and "nazarana" agreed in 1764 to be paid to Nawab of Carnatic and lapsed to British Government.</i>

APPENDIX III—(contd.).

SCHEDULE B.

Contributions originally paid to another State, but subsequently acquired by the British Government :—

(6) by conquest or lapse of the original recipient.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Rajputana Agency.</i>			
138.	Shahpura ..	10,000	(B) <i>Derived from Scindia.</i> A Chiefship holding lands partly under Udaipur and partly under the British Government, the latter consisting of the pargana of Phulia in Ajmer-Merwara, granted by Aurungzeb to the Chief's ancestor in jagir, for which under a Sanad of 1848 he pays the tribute stated to the British Government.
<i>Central India Agency.</i>			
5.	Paldeo ..	117	(C) <i>Derived from Peshwa.</i> Originally paid to the Jahagirdar of Purwa, a member of the same family, in respect of his share of family property, but accrued to British Government in 1856 on confiscation of Purwa for rebellion.
6.	„ ..	125	
<i>Bombay States. Patwardhan Chiefs.</i>			
551.	Sangli ..	24,575	In commutation of obligations to furnish mounted contingents. These obligations derived from the terms of the grant of his lands by the Peshwa to the founder of the Patwardhan family. They became divided between the members of the family in accordance with their shares of land. In 1819, on the overthrow of the Peshwa, the British Government reduced the strength of the contingents to be furnished to one-fourth, and offered the option of assignment of land to produce a contribution at the rate of Rs. 300 per annum per mounted man or an annual payment of that amount in lieu of service. Sangli adopted the first alternative (see Chapter IV, paragraph 159 of our Report, where the existing cash contribution is explained); the other States continued the obligation to supply troops until 1848-9, when this was converted into a cash contribution as stated.
546.	Kurundwad, Senior and Junior. ..	9,619	
544.	Jamkhandi ..	20,841	
547.	Miraj Senior ..	12,558	
548.	Miraj Junior ..	6,412	

APPENDIX III—(contd.).

SCHEDULE B.

Contributions originally paid to another State, but subsequently acquired by the British Government :—

(6) by conquest or lapse of the original recipient.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Bombay States—(contd.).</i>			
<i>Satara</i>			
<i>Jagirdars.</i>			
693.	Akalkot ..	14,592	(C) <i>Derived from Peshwa—(contd.).</i> The Jagirdars were bound to furnish military services to the Ruler of Satara, which State was recreated by the British Government in 1819 on the fall of the Peshwa, in respect of their grants of land. These obligations accrued to the British Government on the lapse in 1848 of the Satara State, and the specified contingents were at various dates converted into cash contributions representing about two-thirds of the cost of the contingents. <i>Bhor</i> claims that its tribute is Rs. 9,627, the difference between this and the amount actually paid being due to a set-off. The data which would enable us to advise as regards the validity of this claim are not available to us, but the claim merits further consideration. <i>Jath's</i> payment includes a tribute of Rs. 4,847 "on account of certain rights inherited from the Raja of Satara and some other similar sums on account of rights in other districts."
628.	Bhor ..	4,687	
541.	Jath ..	11,247	
692.	Phaltan ..	9,600	
549.	Mudhol ..	2,672	The Chief was under obligation to supply a contingent of horse for the Peshwa's service which was reimposed by the British Government in 1814 and commuted in 1819 into a money payment.
550.	Ramdurg ..	3,089	A payment was imposed on the Ruler in 1762 by the Peshwa for a Jagir originally granted by Savanur. This was reimposed in 1821 by the British Government at a reduced figure, part being demanded from another State since lapsed to the British Government.

APPENDIX III—(contd.).

SCHEDULE B.

Contributions originally paid to another State, but subsequently acquired by the British Government :—

(6) by conquest or lapse of the original recipient.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Bombay States—(contd.).</i>			<i>(C) Derived from Peshwa—(contd.).</i>
543.	Cambay ..	21,924	Gujerat and Kathiawar, including besides a large portion of British Indian territory the numerous States and Estates of Kathiawar, Banas Kantha, Rewa Kantha, Mahi Kantha and several smaller Agencies, were at the beginning of the 18th century for the most part under the control of the Moghul Empire. By the middle of that century the Peshwa and the Gaekwar had jointly established supremacy there and placed the States under tribute. The tributes were levies exacted under pressure of periodical invasion by a Mahratta force. Many States were tributary simultaneously to the Peshwa and the Gaekwar, while in Mahi Kantha the Rajput State of Idar and in Kathiawar the Muhammadan State of Junagadh, the first tributary to the Gaekwar and the second both to the Gaekwar and the Peshwa, made up their payments by levies on their own account from smaller States.
694.	Bansda ..	153	
		(7,351)	
695.	Dharampur ..	9,000	
<i>Mahi Kantha Agency.</i>			
591.	Malpur ..	430	
606.	Ranasan ..	3	
<i>Western India States Agency.</i>			
298.	Junagadh ..	28,394	The tributes still paid by States in this area to the Gaekwar, Jungadh, and Idar and a few other States are shown in Appendix IV. Those now paid to the British Government (other than a few which are classified elsewhere under their appropriate heads) were acquired and settled as follows.
386.	Nawanagar ..	50,312	
193.	Bhavnagar ..	153	
410.	Porbandar ..	21,202	By the Treaty of Bassein, 1802, the Peshwa undertook to provide a contingent (6,000 infantry and 10,000 horse, reduced in 1803 to 3,000 infantry and 5,000 horse) for service with a British subsidiary force, for payment of which he ceded certain tributes as well as territory. These cessions included the "Chauth" or a quarter of the revenues of Cambay,
246.	Dhrangadhra ..	40,671	
378.	Morvi ..	9,263	
269.	Gondal ..	49,096	
496.	Vankaner ..	17,422	
357.	Limbdi ..	44,128	
358.	" ..	43	
415.	Rajkot ..	18,991	
511.	Wadhwan ..	25,922	
512.	" ..	87	
287.	Jasdan ..	7,694	
507.	Virpur ..	3,418	
343.	Kotda Sangani	10,189	
290.	Jetpur ..	50,262	
345.	Kotharia ..	948	
265.	Gavridad ..	1,011	
395.	Pal ..	1,253	
360.	Lodhika ..	1,287	
171.	Bantwa ..	29,642	
349.	Lakhtar ..	6,763	
350.	" ..	124	
451.	Sayla ..	15,001	
226.	Chuda ..	6,324	
227.	" ..	143	
381.	Muli ..	7,501	
168.	Bajana ..	7,880	
169.	" ..	58	

APPENDIX III—(contd.).

SCHEDULE B.

Contributions originally paid to another State, but subsequently acquired by the British Government :—

(6) by conquest or lapse of the original recipient.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Western India States Agency—(contd.).</i>			
<i>(C) Derived from Peshwa—(contd.).</i>			
406.	Patdi ..	3,219	Dharampur and Bansda (against
407.	" ..	2,682	the last of which there have been
498.	Vanod ..	1,953	subsequent adjustments reducing the
419.	Rajpur ..	2,412	actual payment from Rs. 7,351 to
180.	Anandpur ..	715	its present figure of Rs. 153) also
490.	Vana ..	3,715	apparently the tributes of Malpur and
469.	Tavi ..	313	Ranasan.
256.	Gadhka ..	643	The Peshwa having leased to the
371.	Mangani ..	3,412	Gaekwar in 1800 his share of the
500.	Vasavad ..	766	proceeds of tributes and other re-
457.	Shahpur ..	464	ceipts included in the " farm of
176.	Bhadwa ..	1,394	Ahmedabad," an arrangement which
421.	Rajpura ..	2,922	continued up to 1814, the whole of the
341.	Kotda Pitha ..	4,850	Mahratta collections in Gujerat during
337.	Khirasra ..	2,366	this period were for the benefit of
158.	Amreli ..	1,621	Baroda. The British Government by
480.	Vadali ..	246	its Treaty of 1802 with the Gaekwar
461.	Sisang Chandli ..	720	had secured a wide power of control
509.	Vivra ..	149	over the administration of Baroda, and
307.	Kankasiali ..	84	took opportunity to mediate, first in
363.	Mahuva ..	120	Kathiawar in 1807 and later in Mahi
309.	Kanpur Ish- varia.	230	Kantha in 1811-12, arrangements
181.	Bhaldhoi ..	204	with the tributary Chiefs binding
244.	Dhrafa ..	3,706	them to pay their dues to the Gaekwar
449.	Satudad ..	1,466	through the British Government on
157.	Amrapur ..	511	the average of what had been col-
383.	Mulila Deri ..	1,279	lected during the ten preceding years,
223.	Chotila ..	652	with a view to obviating the necessity
224.	" ..	25	for forcible collection by the Gaek-
373.	Mevasa ..	445	war's troops.
197.	Bhimora ..	307	By the Treaty of 1817 the Peshwa
219.	Chobari ..	154	substituted for his maintenance of a
444.	Sanosra ..	186	contingent force the cession of further
170.	Bamanbore ..	76	territory and rights to provide funds
425.	Ramparda ..	75	for its support. These cessions in-
173.	Bhadli ..	1,101	cluded the tribute of Kathiawar, then
314.	Kariana ..	850	estimated, after deducting the ex-
325.	Khambhala ..	406	pense of collection, at Rs. 4 lakhs. At
278.	Itaria-Ghadala ..	252	the same time the Peshwa ceded to the
153.	Akadia ..	129	Gaekwar his remaining share in the
389.	Niltala ..	511	revenues of Gujerat, which the
302.	Kamadhia ..	377	Gaekwar in turn ceded to the British
			Government in a treaty of the same

APPENDIX III—(contd.).

SCHEDULE B.

Contributions originally paid to another State, but subsequently acquired by the British Government :—

(6) by conquest or lapse of the original recipient.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Western India States Agency—(contd.).</i>			
<i>(C) Derived from Peshwa—(contd.).</i>			
413.	Rai Sankli ..	556	year in return for an increase in the
296.	Jhinjhuwada ..	11,073	subsidiary force, though contracting
250.	Dudhraj ..	1,102	to pay the Peshwa Rs. 4 lakhs
295.	Jhampodad ..	138	annually for the cession, an obligation
467.	Talsana ..	913	which lapsed on the Peshwa's fall the
385.	Munjpur ..	603	following year. The Peshwa's ces-
178.	Bhadvana ..	998	sions of 1802 and 1817 were in return
324.	Kesaria ..	278	for military protection of a specific
238.	Devalia ..	467	character. But the obligation to
190.	Bhathan ..	641	render this lapsed on the fall of the
293.	Jhamar ..	464	Peshwa in 1818, and the tributes,
180.	Bhalala ..	474	which now amount in Kathiawar
397.	Palali ..	357	alone to Rs. 5,53,017, ceased to be
332.	Kherali ..	678	attached to the provision of military
482.	Vadod ..	1,252	protection.
272.	Gundiala ..	1,408	After the fall of the Peshwa, the
352.	Laliad ..	362	British Government, who had already
199.	Bhoika ..	1,759	acquired his share of the Kathiawar
200.	" ..	99	tributes under the Treaty of 1817, con-
327.	Khambhlay ..	730	cluded in 1820 a convention whereby
267.	Gedi ..	1,200	the Gaekwar would no longer send
311.	Kantharia ..	1,491	troops into Kathiawar or Mahi Kantha
312.	" ..	89	to collect tributes without the consent
230.	Darod ..	366	of the Company's Government and
280.	Jakhan ..	242	would prefer only through the Com-
303.	Kamalpur ..	776	pany his claims to such tributes, the
433.	Sahuka ..	519	Company engaging to collect and pay
184.	Bhalgamda ..	1,400	them to the Gaekwar free of expense.
319.	Karol ..	703	Similar settlements were made in 1820
492.	Vanala ..	396	and succeeding years for the tributes
476.	Untdi ..	493	due to Baroda and Idar in Rewa
163.	Ankevalia ..	1,300	Kantha.
329.	Khandia ..	806	The general effect of these engage-
330.	" ..	13	ments has been to make the British
440.	Samla ..	959	Government responsible for the levy
207.	Chanchana ..	318	in these areas not only of the tributes
212.	Chalala ..	971	it had itself acquired from the Pesh-
213.	" ..	73	wa and the Gaekwar, but also of
316.	Karmad ..	140	those still paid to the Gaekwar, Juna-
317.	" ..	59	gadh, Idar, etc., by the tributary
232.	Dasada ..	12,968	States. From the Baroda tributes is
233.	" ..	74	deducted the amount of Rs. 3½ lakhs

APPENDIX III—(contd.).

SCHEDULE B.

Contributions originally paid to another State, but subsequently acquired by the British Government :—

(6) by conquest or lapse of the original recipient.

Serial number in Appendix IV.	Name of State.	Amount. Rs.	Remarks.
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Western India States Agency—(contd.).

(C) Derived from Peshwa—(contd.).

399.	Paliad ..	907	for which it became liable [see Class
369.	Matra Timba ..	290	(5) of this Appendix] in replacement
188.	Bharejda ..	94	of the contingent force which it
189.	" ..	32	previously maintained, as a contribu-
465.	Sudamada- ..	2,381	tion towards the policing of the
	Dhandhalpur.		smaller States and Estates of these
453.	Sejakpur ..	316	areas of which the administration is
			under British control. The rest of
			the cost of administration is met
			mainly by <i>ad hoc</i> contributions from
			the States and Estates, which are in-
			cluded in various groups for this pur-
			pose, the balance being found from
			British revenues.

The second of two figures shown against various States in the list of payments are miscellaneous dues [called Sukhdi (sweet-meats), Peshkash, Ghasdana (forage), Saliana Vero (yearly dues)], which were surrendered by the Peshwa and until 1914 were treated as land revenue of Ahmedabad district into which they were paid. Since that date they have been re-classified as similar to tribute and are therefore now credited to the Government of India instead of as formerly to the Government of Bombay.

States of Bihar and Orissa and Central Provinces.

(a) Fixed.

517.	Athgarh ..	2,800
518.	Athmallik ..	480
520.	Baramba ..	1,398
521.	Baud ..	800
523.	Daspalla ..	661
524.	Dhenkanal ..	5,099

(D) Derived* from Raja of Nagpur.

Thirty-seven States situated in the Province of Bihar and Orissa and the Central Provinces which pay (a) fixed, and (b) fluctuating tribute to the British Government survive from the States subject to the Bhonsla Raja of Nagpur previous to the Treaty of Deogaon, 1803. Relations with these

APPENDIX III—(contd.).

SCHEDULE B.

Contributions originally paid to another State, but subsequently acquired by the British Government :—

(6) by conquest or lapse of the original recipient.

Serial number in Appendix IV.	Name of State.	Amount. Rs.	Remarks.
<i>States of Bihar and Orissa and Central Provinces—(contd.)</i>			
(a) <i>Fixed—(contd.)</i>			(D) <i>Derived from Raja of Nagpur—(contd.)</i>
526.	Hindol ..	551	States were established by the British Government at various dates between 1803 and 1855 when the State of Nagpur was finally annexed to British India. All the States paying fixed tributes were separated from the suzerainty of Nagpur after the Treaty of Deogaon; of the remainder some remained under the nominal suzerainty of Nagpur until 1855, though in practice from 1819, when the State was regrantd after the rebellion of its Ruler in concert with the Peshwa, its relations with its feudatories had been mediated through British Officers.
528.	Keonjhar ..	1,710	
529.	Khandpara ..	4,212	
530.	Mayurbhanj ..	1,068	
531.	Narsingpur ..	1,456	
532.	Nayagrah ..	5,525	
533.	Nilgiri ..	3,900	
534.	Pal Lahra ..	267	
	(through Keonjhar).		
536.	Ranpur ..	1,401	
539.	Talcher ..	1,040	
540.	Tigiria ..	882	
(b) <i>Fluctuating.</i>			
<i>Nagpur Group.</i>			All those tributes which originated under the Nagpur Government have been classed as acquired by conquest or lapse. But the terms of the Sanads granted to the Chiefs by the British Government might render equally appropriate the classification of their tributes under Class (5) of this Appendix. The basis on which the "fluctuating" tributes were assessed, after Sir R. Temple's enquiry in 1863, appears to have been that the tribute should be the balance of revenue available after allowing a reasonable amount for the cost of administration and maintenance of the Ruler. In a subsequent revision in 1887 the tributes were generally assessed at 10 per cent. of the gross revenue. But Kawardha, Khairagarh, Nandgaon and Chhuikhadan States created by the Bhonsla Raja, were assessed at 33½ per cent. In the revision of 1907-8 the percentage basis was abandoned in favour of that adopted in 1863.
696.	Bastar ..	18,000	
698.	Chhuikhadan ..	12,000	
527.	Kalahandi ..	16,000	
700.	Kawardha ..	30,000	
701.	Khairagarh ..	80,000	
703.	Nandgaon ..	80,000	
<i>Chhota Nagpur Group.</i>			
522.	Bonai ..	2,700	
697.	Changbhakar ..	150	
525.	Gangpur ..	10,000	
699.	Jashpur ..	2,000	
702.	Korea ..	750	
707.	Surguja ..	3,500	
708.	Udaipur ..	1,200	
<i>Sambhalpur Group.</i>			
519.	Bamra ..	7,500	
706.	Sarangarh ..	4,500	
535.	Patna ..	13,500	
704.	Raigarh ..	5,500	
537.	Rairakhhol ..	2,000	
705.	Sakti ..	1,500	
538.	Sonpur ..	12,000	

APPENDIX III—(contd.).

SCHEDULE B.

Contributions originally paid to another State, but subsequently acquired by the British Government :—

(7) by assignment from the original recipient.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
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(A) *Cessions by Baroda.*

For a detailed examination of the cash, as opposed to territorial, cessions by Baroda in return for a subsidiary force, under the Treaties of 1802, 1805, 1808 and 1817, see Supplementary Report of Special Committee, 1932, Chapters XI and XII and Appendix IV. The only payments on this account now realised in the form of tribute appear to be the following :—

Bombay-States.

633.	Balasinor ..	9,766	Tribute to Peshwa, settled by Major Ballantine in 1812 and included in "farm of Ahmedabad," which was granted by the Peshwa to the Gaekwar and ceded by the latter to the British Government under Schedule B attached to Article 3 of the Supplemental Treaty of 1817.
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Western India States Agency.

194.	Bhavnagar ..	75,657	Tribute to Gaekwar, assigned by him <i>inter alia</i> under the Memorandum of 1808 to make up deficiencies in the actual realizations from the assignments under the Treaty of 1805. (The original assignment of Rs. 74,500 Sicca Rupees is now equivalent to Rs. 75,907. But of this sum Rs. 250 is paid by the British Government to certain other parties under the terms of a Sanad granted by the Gaekwar in 1784.)
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APPENDIX III—(contd.).

SCHEDULE B.

Contributions originally paid to another State, but subsequently acquired by the British Government :—

(7) by assignment from the original recipient.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>(B) Cessions by Gwalior.</i>			
For a detailed examination of the cash, as opposed to territorial, cessions by Gwalior, in return for a subsidiary force, under the Treaty of 1844, as modified by the Treaty of 1860, see Supplementary Report of Special Committee, 1932, Chapter XV. The payments on this account now realised in the form of tribute appear to be the following :—			
<i>Rajputana Agency.</i>			
132.	Kotah	.. 94,218	Present value of assignments by Gwalior under Treaty of 1844 in respect of Kotah and certain districts named Kotris dependent on Kotah—see Chapter IV, para. 143 of our Report.
133.	„	.. 9,252	
152.	Jodhpur	.. (1,08,000) 98,000	Present value of recovery from Jodhpur under assignment in Treaty of 1844. The amount assigned from Jodhpur was Rs. 1,08,000, but in consideration of the cession by Jodhpur to the British Government of the district and fort of Umarnkot the payment has been reduced by Rs. 10,000.
136.	Bundi	. 80,000	Scindia assigned to the British Government in 1817 towards maintenance of its contingent his two-thirds share of Keshorai Patan, at one time part of Bundi territory, the other one-third being held by Indore. The cession was renewed in 1844. It was agreed in 1847 with the consent of the Gwalior Durbar that the district should be made over to Bundi in perpetuity on a payment to the British Government of Rs. 80,000 to be credited to Gwalior. In 1860 the sovereignty of the district was ceded by Scindia to the British Government who in 1924 conveyed the sovereignty to Bundi while maintaining the annual payment.

APPENDIX III—(contd.).

SCHEDULE B.

Contributions originally paid to another State, but subsequently acquired by the British Government :—

(7) by assignment from the original recipient.

Serial number in Appendix IV.	Name of State.	Amount. Rs.	Remarks.
<i>Central India Agency.</i> (B) <i>Cessions by Gwalior</i> —(contd.)			
88.	Ratlam ..	42,000	These tributes, of which the amounts were fixed in 1819 by the mediation of Sir J. Malcolm, were assigned by Scindia to the British Government in 1821, and again in the Treaties of 1844 and 1860, in liquidation of debts for the maintenance of the Gwalior contingent subsequently replaced by the British subsidiary force.
90.	Sailana ..	21,000	
15.	Khilchipur ..	11,134	The tribute, paid since 1793, was assigned by Scindia to the British Government in 1844 for the maintenance of the Gwalior contingent. It is not specifically mentioned in the schedule of assignments attached to the treaty of 1860 but appears to have been credited at the time through the payment made by the farmer of Ratangarh pargana, though not to have been retroceded to Gwalior together with that pargana as a result of the exchanges of 1860.
117.	Amjhera .. (Gwalior).	34,019	Tribute originally paid by the Amjhera State to Dhar but later to Gwalior, with whom an agreement fixing the amount was negotiated by Sir J. Malcolm in 1820. Ceded for payment of the Gwalior contingent in 1844, it continued to be paid to the British Government, but by Gwalior direct, the State of Amjhera having been confiscated and incorporated in Gwalior as a result of rebellion in 1857.
<i>Bombay States.</i>			
657.	Lunawada ..	9,230	Tributes to Scindia fixed in 1812 by the mediation of the British Government and apparently ceded by Scindia under the Treaties of 1844 and 1860.
676.	Sant ..	5,385	
(These tributes are not specified in the Schedule attached to the Treaty of 1860.)			

APPENDIX III—(contd.).

SCHEDULE B.

Contributions originally paid to another State, but subsequently acquired by the British Government :—

(7) by assignment from the original recipient.

<i>Serial number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
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(C) *Cessions by Indore.*

Under the Mandesaur Treaty of 1818, article 4, Holkar ceded to the British Government "all claims of tribute and revenues of every description which he has or may have had upon the Rajput Princes, such as the Rajahs of Oodeypor, Jeypore, Jaudhpor, Kotah, Bhondie, Karawlie, etc." Some of the agreements made at this time by the British Government with the Rajputana States provide for payment of contributions. But these contributions are in the majority of cases entirely distinct from any previous levy made by Indore and are stated to be for purposes of mutual defence. It has therefore seemed more appropriate to show them in Class (1) of this Appendix (*q.v.*).

Rajputana Agency.

147. Partabgarh .. (36,500)

An exception is the contribution of Partabgarh (Rs. 36,350), the equivalent of 72,700 Salim Shahi Rupees previously paid to Holkar, which the Raja engaged by Treaties of 1804 and 1818 to pay to the British Government. As Partabgarh has not been included in the list of tributary States in article 4 of the Mandesaur Treaty of 1818, Holkar endeavoured to assert his claims to this tribute by an expeditionary force, and the British Government arranged that in return for transfer of his rights over Partabgarh he should receive the amount of the tribute. This at the time of settlement was convertible at Rs. 57,874-3-2 and is therefore paid to Indore at that rate, although only Rs. 36,350 is recovered from Partabgarh. The payment thus ranks rather as an inter-State tribute.

APPENDIX III—(contd.).

SCHEDULE B.

Contributions originally paid to another State, but subsequently acquired by the British Government :—

(7) by assignment from the original recipient.

<i>Serial Number in Appendix IV.</i>	<i>Name of State.</i>	<i>Amount. Rs.</i>	<i>Remarks.</i>
<i>Central India Agency.</i> 30.	Indore ..	660	(C) <i>Cessions by Indore—continued.</i> Tribute (Tanka) originally paid by Indore to Chiefs of Sailana and Bakhatgarh and assigned by them to British Government. (Details as to date and circumstance of cession not traceable).
<i>Rajputana Agency.</i> 143.	Banswara ..	17,500	(D) <i>Cessions by Dhar.</i> Tributes found to be paid to Dhar when in 1818 this State was taken under the protection of the British Government on the conquest of Malwa. Dhar agreed to cede the first two tributes to the British Government in return for the recovery by British assistance of territories which it had lost. The tribute from Ali Rajpur was fixed by mediation of the British Government as commutation for customs duties previously collected by Dhar in that State. It was ceded to the British Government by Dhar in 1821, together with the Pargana of Bairsia (now part of Bhopal), in return for an annual cash payment of Rs. 1,10,000. This payment was discontinued after the Mutiny except the amount of the tribute from Ali Rajpur, which is still collected by the British Government and remitted to the Dhar Darbar and is therefore rather in the nature of an inter-State Tribute.
144.	Dungarpur ..	17,500	
<i>Central India Agency.</i> 100.	Ali Rajpur ..	(8,475)	

APPENDIX IV.

Summarised Statement of Cash Contributions from Indian States* to British Government (with Inter-State Contributions) and of the effect of Committee's recommendations in Chapter III for Immediate Remission.

Serial No. of Contribution.	2	Inter-State Contributions. (The figures of these contributions (other than those in column 4 (B)) having been obtained from a variety of sources, their completeness and accuracy are doubtful.)					Cash Contributions to British Government.		Effect of Committee's Recommendations for immediate relief, or other special treatment.		
		3	4	5	6	7	8	9	10		
		Name of Creditor State.	Amount of Contribution (A) Retained by Creditor State.	Ceded by Creditor State to British Government (see Appx. III, Schedule B (7)).	Total of Contributions received from other States (for details see Column 4 (A)).	Amount of Contribution to British Government.	Where classified in Appx. III.	Average Revenue of State for years 1928-30 (see Memo. random on Indian States, 1930).	Percentage borne by Cash Contribution in Column 6 to Revenue in Column 8	Estimated Amount to be remitted immediately as representing excess over 5 per cent. of Revenue, or other special recommendation.	
1	BARODA CENTRAL INDIA STATES. Baghelkhand Agency.	—	—	—	5,82,765	3,75,000	A (5)	2,49,00,000	1.5	See Chapter III, paras. 74-75.	
2	Bhaisaunda	Pahra	111	—	1,115	—	—	20,000	—	—	
3	Pahra (Chaube)	Bhaisaunda	59	—	392	—	—	19,000	—	—	
4	"	Taraon	85	—	—	—	—	—	—	—	
5	Paldeo	—	—	—	81	117	B (6)	50,000	.5	—	

APPENDIX IV—(contd.).

Serial No. of Contribution.	2	3	4		5	6		7	8	9	10
			Amount of Contribution.			Total of Contributions received from other States (for details see Column 4(A)).	Amount of Contribution to British Government.				
			(A)	(B)							
	Name of Contributing State.	Name of Creditor State.	Retained by Creditor State.	Ceded by Creditor State to British Government (see Appx. III, Schedule B (7)).				Where classified in Appx. III.	Average of Revenue of State for years 1928-30 (see Memorandum on Indian States, 1930).	Percentage borne by Cash Contribution in Column 6 to Revenue in Column 8.	Estimated Amount to be remitted immediately as representing excess over 5 per cent. of Revenue, or other special recommendation.
CENTRAL INDIA STATES—(contd.).											
Mahua Agency—(contd.).											
64	Dewas Junior—(contd.).	Dhabla-Dhir	16	—	—	—	—	—	—	—	—
65	" "	Dhabla-Ghoosi	16	—	—	—	—	—	—	—	—
66	" "	Jawasia	1,433	—	—	—	—	—	—	—	—
67	" "	Kalalya	739	—	—	—	—	—	—	—	—
68	" "	Kayatha	724	—	—	—	—	—	—	—	—
69	" "	Ladawad	12	—	—	—	—	—	—	—	—
70	" "	Mandawad	69	—	—	—	—	—	—	—	—

71	"	Narsingpurh	2,054	—	14,083	1,37,127	A (2)	12,45,000	11-0	74,877	—
72	"	Naruar	1,204	—	—	—	—	—	—	—	—
73	"	Pathari	2,005	—	—	—	—	—	—	—	—
74	"	Piploda	57	—	—	—	—	—	—	—	—
75	"	Raghogar	262	—	—	—	—	—	—	—	—
76	"	Rajgarh	2,054	—	—	—	—	—	—	—	—
77	"	Ramgarh	16	—	—	—	—	—	—	—	—
78	"	Sundirs	60	—	—	—	—	—	—	—	—
79	"	Tonk	2,142	—	—	—	—	—	—	—	—
80	Jaora	—	—	—	14,083	1,37,127	A (2)	12,45,000	11-0	74,877	—
81	"	Piploda	500	—	—	—	—	—	—	—	—
82	Kherwasa	Unknown	4,000	—	—	—	—	8,000	—	—	—
83	Khojankhera	Unknown	1,840	—	—	—	—	7,000	—	—	—
84	Narwar	—	—	—	1,204	—	—	19,000	—	—	—
85	Panth Piploda	Unknown	24,956	—	—	—	—	2,16,000	—	—	—
86	Pathari	Unknown	2,280	—	—	—	—	18,000	—	—	—
87	Piploda	Jaora	14,083	—	2,061	—	—	1,17,000	—	—	—
88	Ratlam	Gwalior	—	—	57	—	—	10,00,000	—	—	—
89	"	Gwalior	800	—	—	—	—	—	—	—	—
90	Sallana	Gwalior	—	—	42,000	—	—	3,55,000	—	—	—
91	"	Rallam	6,000	—	—	—	—	—	—	—	—
92	Sarwan	Unknown	10,761	—	—	—	—	53,000	—	—	—
93	Shujaoa	Unknown	2,642	—	—	—	—	18,000	—	—	—
94	Sirsi	Unknown	9,840	—	—	—	—	17,000	—	—	—
95	Sitamau	Gwalior	27,500	—	—	—	—	2,70,000	—	—	—
96	Tal	Unknown	2,348	—	—	—	—	20,000	—	—	—
97	Uperwara	Unknown	2,882	—	—	—	—	19,000	—	—	—
98	Uplai	Unknown	320	—	—	—	—	1,000	—	—	—

See Chapter III,
paras. 82-83.See Chapter III,
paras. 82-83.

APPENDIX IV—(contd.).

1	2	3	4		5	6	7	8	9	10
			Amount of Contribution.							
			(A)	(B)						
Serial No. of Contribution.	Name of Contributing State.	Name of Creditor State.	Retained by Creditor State.	Ceded by Creditor State to British Government (see Appx. III, Schedule B (7)).	Total of Contributions received from other States (for details see Column 4 (A)).	Amount of Contribution to British Government.	Where classified in Appx. III.	Average Revenue of State for years 1928-30 (see Memorandum on Indian States, 1930).	Percentage borne by Cash Contribution to Revenue in Column 8.	Estimated Amount to be remitted immediately as representing excess over 5 per cent. of Revenue, or other special recommendation.
Inter-State Contributions. (The figures of these contributions (other than those in column 4 (B)) having been obtained from a variety of sources, their completeness and accuracy are doubtful.)										
CENTRAL INDIA STATES—(contd.). Southern States Agency.										
99	Ali Rajpur ..	—	—	—	—	1,271	A (5)	6,40,000	0.2	See Chapter III, para. 73.
100	" " ..	Dhar	8,475	—	—	—	—	—	—	—
101	Bakhatgarh ..	Unknown	13,984	—	—	—	—	74,000	—	—
102	Barwani ..	—	—	—	—	3,390	A (5)	10,89,000	0.3	See Chapter III, para. 73.
103	Bhaisola (Dotria) ..	Unknown	3,035	—	—	—	—	24,000	—	—
104	Dhar ..	—	—	—	—	6,602	A (5)	17,07,000	1.4	See Chapter III, paras. 73 & 86.
105	Jammia ..	Unknown	1,818	—	2,123	(18,602)	—	35,000	—	—

	Jhabua ..	..	—	—	—	—	1,271	A (5)	4,40,000	0.3	See Chapter III, para. 73
106	Jhabua ..	..	—	—	—	—	—	—	—	—	—
107	"	..	Indore	9,039	—	—	—	—	—	—	—
108	Kachhi-Baroda	..	Unknown	8,016	—	—	—	—	66,000	—	—
109	Mota-Barkhera	..	Unknown	3,832	—	—	—	—	62,000	—	—
110	Multhan ..	..	Unknown	15,291	—	—	—	—	99,000	—	—
111	Rajgarh ..	..	Jhalawar	902	—	—	—	—	20,000	—	—
112	"	..	Gwalior	61,719	—	—	—	—	—	—	—
113	GWALIOR	..	Datia	210	—	1,00,313	—	—	2,10,00,000	—	—
114	"	..	Narsingarh ..	960	—	—	—	—	—	—	—
115	"	..	Rajgarh ..	2,400	—	—	—	—	—	—	—
116	"	..	Railam	230	—	—	—	—	—	—	—
117	Gwalior (Amjhera)	..	Gwalior	—	34,019	—	—	—	—	—	See Chapter III, paras. 82-83.
118	HYDERABAD	..	Gwalior	1,094	—	—	—	—	7,98,57,000	—	—
119	MADRAS STATES.	..	—	—	—	—	—	—	—	—	—
120	Cochin ..	..	—	—	—	—	1,00,000	A (1)	82,30,000	2.4	—
121	"	..	—	—	—	—	1,00,000	A (3)	—	—	—
122	Travancore	..	—	—	—	—	3,81,456	A (3)	2,48,08,000	3.2	—
123	"	..	—	—	—	—	4,01,655	A (3)	—	—	—
124	MYSORE	..	—	—	—	—	13,519	B (6)	—	—	—
125		..	—	—	—	—	24,50,000	A (1)	3,46,46,000	7.1	7,17,700

RAJPUTANA STATES.										
<i>Eastern Rajputana States Agency.</i>										
130	Kotah ..	—	—	—	—	1,31,250	A (1)	50,88,000	2·6	— See Chapter III, para. 73.
131	" ..	—	—	—	—	2,00,000	A (5)	—	—	See Chapter III, paras. 82-83.
132	" ..	Gwalior	94,218	—	—	—	—	—	—	See Chapter III, paras. 82-83.
133	" ..	"	9,252	—	—	—	—	—	—	—
134	" ..	Jaipur	14,398	—	—	—	—	—	—	—
<i>Haraoti and Tonk Agency.</i>										
135	Bundi ..	—	—	—	—	40,000	A (1)	13,20,000	3·0	— See Chapter III, paras. 82-83.
136	" ..	Gwalior	80,000	—	—	—	—	—	—	—
137	Jhalawar..	—	—	902	—	30,000	A (4)	7,89,000	3·8	—
138	Shahpura	—	—	—	—	10,000	B (6)	5,28,000	1·9	—
139	" ..	Udaipur (Mewar)	3,000	—	—	—	—	—	—	—
140	Tonk ..	—	—	—	—	5,000	A (5)	27,79,000	0·2	— See Chapter III, para. 73.
<i>Jaipur Residency.</i>										
141	Jaipur ..	—	—	14,398	—	4,00,000	A (1)	1,30,00,000	3·1	—
142	Lawa ..	—	—	—	—	225	A (4)	50,000	0·5	—

APPENDIX IV—(contd.).

Inter-State Contributions. (The figures of these contributions (other than those in column 4 (B)) having been obtained from a variety of sources, their completeness and accuracy are doubtful.)											
1	2	3	4		5	6		7	8	9	10
			Amount of Contribution.			Total of Contributions received from other States (for details see Column 4 (A)).	Amount of Contribution to British Government.				
Serial No. of Contribution.	Name of Contributing State.	Name of Creditor State.	Retained by Creditor State.	Ceded by Creditor State to British Government (see Appx. III, Schedule B (7)).							
RAJPUTANA STATES—(contd.).											
	Southern Rajputana States Agency.										
143	Banswara	Dhar	—	17,500	550	—	—	—	6,96,000	—	See Chapter III, paras. 82-83.
144	Dungarpur	"	—	17,500	—	—	—	—	6,61,000	—	See Chapter III, paras. 82-83.
145	Kushalgarh	Banswara	550	—	—	—	—	—	15,900	—	—
146	"	Railam	612	—	—	—	—	—	—	—	—
147	Partabgarh	Indore	36,500 (67,874)	—	—	—	—	—	5,85,000	—	See Chapter III, paras. 82-83.

[illegible]

APPENDIX IV—(contd.).

Inter-State Contributions.			Cash Contributions to British Government.		Effect of Committee's Recommendations for immediate relief, or other special treatment.					
1	2	3	4		5	6	7	8	9	10
Serial No. of Contribution.	Name of Contributing State.	Name of Creditor State.	Amount of Contribution.		Total of Contributions received from other States (for details see Column 4 (A)).	Amount of Contribution to British Government.	Where classified in Appx. III.	Average Revenue of State for years 1928-30 (see Memo. random on Indian States, 1930).	Percentage borne by Cash Contributions in Column 6 to Revenue in Column 8.	Estimated Amount to be remitted immediately as representing excess over 5 per cent. of Revenue, or other special recommendation.
			Retained by Creditor State.	Ceded by Creditor State to British Government (see Appx. III, Schedule B (7)).						
WESTERN INDIA STATES—(contd.).										
164	Ankevalia ..	Junagadh ..	226	—	—	—	—	—	—	—
165	Arniwada ..	Baroda ..	22	—	—	—	—	300	—	—
166	Bagesara ..	" ..	2,554	—	—	—	—	2,20,000	—	—
167	" ..	Junagadh ..	1,544	—	—	—	—	—	—	—
168	Bajana ..	—	—	—	—	7,880	B (6)	3,51,000	2.3	—
169	" ..	—	—	—	—	58	B (6)	—	—	—
170	Bamanbore ..	—	—	—	—	76	B (6)	4,000	1.9	—
171	Bantwa ..	—	—	—	—	29,642	B (6)	8,60,000	3.4	—
172	" ..	Unknown ..	2,346	—	—	—	—	—	—	—
173	Bhadli ..	—	—	—	—	1,101	B (6)	62,000	1.8	—
174	" ..	Junagadh ..	256	—	—	—	—	—	—	—
175	Bhadramali ..	Baroda ..	39	—	—	—	—	350	—	—
176	Bhadwa ..	—	—	—	—	1,394	B (6)	15,000	9.3	—
177	" ..	Junagadh ..	238	—	—	—	—	—	—	644

178	Bhadvana	..	Junagadh	..	83	—	—	—	998	B (6)	6,000	16.6	698
179	"	..	—	..	—	—	—	—	—	—	—	—	—
180	Bhalala	..	—	..	—	—	—	—	474	B (6)	1,000	47.4	424
181	Bhalgam Bhaldoi	..	—	..	—	—	—	—	204	B (6)	7,000	2.9	—
182	"	..	Junagadh	..	58	—	—	—	—	—	—	—	—
183	"	..	Baroda	..	96	—	—	—	—	—	—	—	—
184	Bhaligamda	..	—	..	—	—	—	—	1,400	B (6)	10,000	14.0	900
185	"	..	Junagadh	..	105	—	—	—	—	—	5,000	—	—
186	Bhandaria	..	Baroda	..	307	—	—	—	—	—	—	—	—
187	"	..	Junagadh	..	15	—	—	—	—	—	—	—	—
188	Bharejda	..	—	..	—	—	—	—	94	B (6)	3,000	4.2	—
189	"	..	—	..	—	—	—	—	32	B (6)	—	—	—
190	Bhathan	..	—	..	—	—	—	—	641	B (6)	2,000	32.0	541
191	"	..	Junagadh	..	60	—	—	—	—	—	—	—	—
192	Bhavnagar	..	—	..	—	—	—	—	52,000	A (4)	1,04,65,000	0.5	—
193	"	..	—	..	—	—	—	—	153	B (6)	—	—	—
194	"	..	Baroda	..	—	—	75,657	—	—	—	—	—	—
195	"	..	"	..	3,581	—	—	—	—	—	—	—	—
196	"	..	Junagadh	..	22,858	—	—	—	—	—	—	—	—
197	Bhimora	..	—	..	—	—	—	—	307	(6)	7,000	4.4	—
198	"	..	Junagadh	..	63	—	—	—	—	—	—	—	—
199	Bhoika	..	—	..	—	—	—	—	1,759	B (6)	24,000	7.7	1,658
200	"	..	—	..	—	—	—	—	99	B (6)	—	—	—
201	"	..	Junagadh	..	279	—	—	—	—	—	—	—	—
202	Bhojavadar	..	Baroda	..	411	—	—	—	—	—	5,000	—	—
203	"	..	Junagadh	..	139	—	—	—	—	—	—	—	—
204	Bodanones	..	Baroda	..	103	—	—	—	—	—	1,000	—	—
205	"	..	Junagadh	..	9	—	—	—	—	—	—	—	—
206	Bukoli	..	Baroda	..	58	—	—	—	—	—	300	—	—
207	Chanchana	..	—	..	—	—	—	—	318	B (6)	3,000	10.6	168
208	Chamardi-Vachhani	..	Baroda	..	765	—	—	—	—	—	10,000	—	—
209	"	..	Junagadh	..	93	—	—	—	—	—	—	—	—
210	Charkha	..	Baroda	..	503	—	—	—	—	—	17,000	—	—

See Chapter III,
paras. 82-83.

APPENDIX IV—(contd.).

1	2	Inter-State Contributions. (The figures of these contributions (other than those in column 4 (B)) having been obtained from a variety of sources, their completeness and accuracy are doubtful.)				Cash Contributions to British Government.		Effect of Committee's Recommendations for immediate relief, or other special treatment.		
		3	4		5	6	7	8	9	10
		Name of Contributing State.	Amount of Contribution.		Total of Contributions received from other States (for details see Column 4 (A)).	Amount of Contribution to British Government (Government III.	Where Contributions classified in Appx. III.	Average Revenue of State for years 1928-30 (see Memo in random on Indian States 1930).	Percentage borne by Cash Contribution in Column 6 to Revenue in Column 8.	Estimated Amount to be remitted immediately as representing excess over 5 per cent. of Revenue, or other special recommendation.
Serial No. of Contribution.			(A)	(B)						
			Retained by Creditor State.	Ceded by Creditor State to British Government (see Appx. III. Schedule B (7)).						
	WESTERN INDIA STATES—(contd.).									
211	Charkha ..	Junagadh ..	—	38	—	—	—	—	52.2	—
212	Chalala ..	—	—	—	—	971	B (6)	2,000	—	944
213	" ..	—	—	—	—	73	B (6)	—	—	—
214	" ..	Junagadh ..	—	78	—	—	—	Not known	—	—
215	Chiroda ..	Baroda ..	123	—	—	—	—	1,000	—	—
216	" ..	Junagadh ..	12	—	—	—	—	—	—	—
217	Chitravav (Devani)	Baroda ..	491	—	—	—	—	—	—	—
218	" ..	Junagadh ..	38	—	—	—	—	—	—	—
219	Chobari ..	—	—	—	—	154	B (6)	5,000	3.1	—
220	" ..	Junagadh ..	45	—	—	—	—	—	—	—
221	Chok ..	Baroda ..	394	—	—	—	—	7,000	—	—
222	" ..	Junagadh ..	23	—	—	—	—	—	—	—
223	Chotila ..	—	—	—	—	652	B (6)	22,000	3.1	—
224	" ..	—	—	—	—	25	B (6)	—	—	—

No.	Name	Area (Acres)	Population	Revenue (Rs.)	Other Income (Rs.)	Total (Rs.)
225	" Chuda ..	..	221	6,324	B (6)	1,40,000
226	" " ..	..	—	143	B (6)	—
227	" " ..	..	676	—	—	—
228	" " ..	..	—	—	A (4)	32,00,000
229	Cutch ..	..	—	82,253	B (6)	1,000
230	Darod ..	..	—	366	—	—
231	" " ..	..	50	—	B (6)	1,94,000
232	Dasada ..	..	—	12,968	B (6)	—
233	" " ..	..	—	74	B (6)	23,000
234	Datha ..	..	5,099	—	—	—
235	Dedan ..	..	299	—	—	—
236	Dedan ..	..	2,956	—	—	—
237	Dedarda ..	..	103	—	—	—
238	Devalia ..	..	—	467	B (6)	7,000
239	" " ..	..	56	—	—	—
240	Dhola (Devani) ..	..	325	—	—	1,000
241	" " ..	..	59	—	—	—
242	Dholara ..	..	103	—	—	5,000
243	" " ..	..	23	—	—	—
244	Dhrafa ..	..	—	3,706	B (6)	80,000
245	" " ..	..	1,165	—	—	—
246	Dhrangadhra ..	..	—	40,671	B (6)	25,00,000
247	" " ..	..	4,006	—	—	—
248	Dhrol ..	..	9,552	—	—	2,78,000
249	" " ..	..	679	—	—	—
250	Dudhraj ..	..	—	1,102	B (6)	13,000
251	" " ..	..	97	—	—	—
252	Gadhali ..	..	1,699	—	—	15,000
253	" " ..	..	301	—	—	—
254	Gadhia ..	..	174	—	—	3,000
255	" " ..	..	21	—	—	—
256	Gadhka ..	..	—	643	B (6)	28,000
257	" " ..	..	202	—	—	—
258	Gadhula ..	..	168	—	—	3,000

APPENDIX IV—(contd.).

1	2	3	4		5	6	7	8	9	10
			Amount of Contribution.							
			(A)	(B)						
Serial No. of Contribution.	Name of Contributing State	Name of Creditor State.	Retained by Creditor State.	Ceded by Creditor State to British Government (see Appx. III, Schedule B (7)).	Total of Contributions received from other States (for details see Column 5 (A)).	Amount of Contribution to British Government.	Where classified in Appx. III.	Average Revenue of State for years 1928-30 (see Memorandum on Indian States, 1930).	Percentage borne by Cash Contribution in Column 6 to Revenue in Column 8.	Estimated Amount to be remitted immediately as representing excess over 5 per cent. of Revenue, or other special recommendation.
WESTERN INDIA STATES—(contd.).										
259	Gadhula ..	Junagadh ..	28	—	—	—	—	2,000	—	—
260	Gandhol ..	Baroda ..	103	—	—	—	—	—	—	—
261	" ..	Junagadh ..	8	—	—	—	—	—	—	—
262	Garmali (Moti) ..	Baroda ..	196	—	—	—	—	3,000	—	—
263	" ..	Junagadh ..	24	—	—	—	—	1,000	—	—
264	Garmali (Nani) ..	Baroda ..	194	—	—	1,011	B (6)	25,000	4.0	—
265	Gavridad ..	—	—	—	—	—	—	—	—	—
266	" ..	Junagadh ..	610	—	—	—	—	4,000	30.0	1,000
267	Gedi ..	—	—	—	—	1,200	B (6)	—	—	—
268	" ..	Junagadh ..	139	—	—	—	—	—	—	—
269	Gondal ..	—	—	—	—	49,086	B (6)	50,00,000	1.0	—
270	" ..	Baroda ..	61,017	—	—	—	—	—	—	—
271	" ..	Junagadh ..	608	—	—	—	—	—	—	—
272	Gundiala ..	—	—	—	—	1,408	B (6)	16,000	8.8	608

APPENDIX IV—(contd.).

Inter-State Contributions. (The figures of these contributions (other than those in column 4 (B)) having been obtained from a variety of sources, their completeness and accuracy are doubtful.)			Cash Contributions to British Government.			Effect of Committee's Recommendations for immediate relief, or other special treatment.				
1	2	3	4		5	6	7	8	9	10
Serial No. of Contribution.	Name of Contributing State.	Name of Creditor State.	Amount of Contribution.		Total of Contributions received from other States (for details see Column 4 (A)).	Amount of Contribution to British Government.	Where classified in Appx. III.	Average Revenue of State for years 1928-30 (see Memorandum on Indian States, 1930).	Percentage borne by Cash Contribution in Column 6 to Revenue in Column 8.	Estimated Amount to be remitted [as immediately as] representing excess over 5 per cent. of Revenue, or other special recommendation.
			(A) Retained by Creditor State.	(B) Ceded by Creditor State to British Government (see appx. III, Schedule B (7)).						
	WESTERN INDIA STATES—(contd.).									
307	Kankasiali ..	Junagadh ..	—	27	—	84	B (6)	2,000	4.2	—
308	" ..	" ..	—	—	—	—	—	—	—	—
309	Kanpur-Ishvaria ..	Junagadh ..	—	117	—	230	B (6)	14,000	1.6	—
310	" ..	" ..	—	—	—	—	—	—	—	—
311	Kantharia ..	" ..	—	—	—	1,491	B (6)	12,000	13.2	980
312	" ..	" ..	—	—	—	89	B (6)	—	—	—
313	" ..	Junagadh ..	—	208	—	—	—	—	—	—
314	Kariana ..	" ..	—	—	—	850	B (6)	40,000	2.1	—
315	" ..	Junagadh ..	—	307	—	—	—	—	—	—
316	Karnad ..	" ..	—	—	—	140	B (6)	6,000	3.3	—
317	" ..	" ..	—	—	—	59	B (6)	—	—	—
318	" ..	Junagadh ..	—	32	—	—	—	—	—	—
319	Karol ..	" ..	—	—	—	703	B (6)	12,000	5.9	103
320	" ..	Junagadh ..	—	93	—	—	—	—	—	—

321	Katodia (Vachhani)	Baroda	193	—	—	—	2,000	—	—	—
322	"	Junagadh	28	—	—	—	1,000	—	—	—
323	Kathrota	Baroda	52	—	—	—	1,000	—	—	228
324	Kesaria	—	—	—	—	278	B (6)	27.8	—	—
325	Khambhala	—	—	—	—	406	B (6)	3.4	—	—
326	"	Junagadh	118	—	—	—	—	—	—	—
327	Khambhav	—	—	—	—	730	B (6)	73.0	—	680
328	"	Junagadh	139	—	—	—	—	—	—	—
329	Khandia	—	—	—	—	806	B (6)	16.4	—	569
330	"	—	—	—	—	13	B (6)	—	—	—
331	"	Junagadh	81	—	—	—	—	—	—	—
332	Kherali	—	—	—	—	678	B (6)	4.0	—	—
333	Khijadia-Najani	Baroda	52	—	—	—	17,000	—	—	—
334	Khijadia-Dosaji	Baroda	380	—	—	—	2,000	—	—	—
335	"	Junagadh	47	—	—	—	2,400	—	—	—
336	Khimana	Baroda	45	—	—	—	—	—	—	—
337	Khirasra	—	—	—	—	2,366	B (6)	3.9	—	—
338	"	Junagadh	350	—	—	—	60,000	—	—	—
339	Kotda-Nayani	Baroda	542	—	—	—	9,000	—	—	—
340	"	Junagadh	145	—	—	—	—	—	—	—
341	Kotda-Pitha	—	—	—	—	4,850	B (6)	6.1	—	850
342	"	Junagadh	728	—	—	10,189	B (6)	6.6	—	2,489
343	Kotda-Sangani	—	—	—	—	—	1,54,000	—	—	—
344	"	Junagadh	1,427	—	—	948	B (6)	2.4	—	—
345	Kotharia	—	—	—	—	—	40,000	—	—	—
346	"	Junagadh	298	—	—	—	2,000	—	—	—
347	Lakhapadar	Baroda	154	—	—	—	—	—	—	—
348	"	Junagadh	24	—	—	—	3,55,000	1.9	—	—
349	Lakhtar	—	—	—	—	6,763	B (6)	—	—	—
350	"	—	—	—	—	124	B (6)	—	—	—
351	"	Junagadh	464	—	—	—	—	—	—	—
352	Laliad	—	—	—	—	362	B (6)	6.0	—	62
353	Lathi	Baroda	711	—	—	—	6,000	—	—	—
354	"	Junagadh	1,146	—	—	—	2,12,000	—	—	—

APPENDIX IV—(contd.).

1	2	3	4		5	6	7	8	9	10
Serial No. of Contribution.	Name of Contributing State.	Name of Creditor State.	Amount of Contribution.		Total of Contributions received from other States (for details see Column 4 (A)).	Amount of Contribution to British Government.	Where classified in Appx. III.	Average Revenue of State for years 1928-30 (see Memo. random on Indian States, 1930).	Percentage borne by Cash Contribution in Column 6 to Revenue in Column 8.	Estimated Amount to be remitted immediately as representing excess over 5 per cent. of Revenue, or other special recommendation.
			(A)	(B)						
			Retained by Creditor State.	Ceded by Creditor State to British Government (see Appx. III, Schedule B (7)).						
WESTERN INDIA STATES—(contd.).										
355	Limbda ..	Baroda ..	934	—	—	—	—	30,000	—	—
356	" ..	Junagadh ..	278	—	—	44,128	B (6)	7,00,000	6.3	9,171
357	Limbdi ..	—	—	—	—	43	B (6)	—	—	—
358	" ..	—	—	—	—	—	—	—	—	—
359	" ..	Junagadh ..	1,390	—	—	1,287	B (6)	72,000	1.8	—
360	Lodhika ..	—	—	—	—	—	—	—	—	—
361	" ..	Junagadh ..	405	—	—	—	—	1,300	—	—
362	Lunpur ..	Baroda ..	182	—	—	—	—	2,000	—	—
363	Mahuva (Mowa)	—	—	—	—	120	B (6)	—	6.0	20
364	" ..	Junagadh ..	38	—	—	—	—	1,68,000	—	—
365	Malia ..	Baroda ..	1,182	—	—	—	—	—	—	—
366	" ..	Junagadh ..	185	—	—	—	—	—	—	—
367	Manavav ..	Baroda ..	149	—	—	—	—	3,000	—	—
368	" ..	Junagadh ..	23	—	—	—	—	—	—	—

APPENDIX IV—(contd.).

1	2	3	4		5	6	7	8	9	10
Serial No. of Contribution.	Name of Contributing State.	Name of Creditor State.	Amount of Contribution.		Total of Contributions received from other States (for details see Column 4 (A)).	Amount of Contribution to British Government.	Where classified in Appx. III.	Average Revenue of State for years 1928-30 (see Memorandum on Indian States, 1930).	Percentage borne by Cash Contribution to Revenue in Column 8, (Column 9).	Estimated Amount to be remitted immediately as representing excess over 5 per cent. of Revenue, or other special recommendation.
			Retained by Creditor State.	Credited by Creditor State to British Government (see Appx. III, Schedule B (7)).						
WESTERN INDIA STATES—(contd.).										
402	Palitana ..	Baroda ..	7,874	—	—	—	—	10,67,000	—	—
403	" ..	Junagadh ..	2,490	—	—	—	—	—	—	—
404	Panchavda (Vachhani)	Baroda ..	204	—	—	—	—	1,000	—	—
405	" ..	Junagadh ..	37	—	—	—	—	—	—	—
406	Patdi ..	—	—	—	—	3,219	B (6)	97,000	6.1	1,051
407	" ..	—	—	—	—	2,682	B (6)	—	—	—
408	" ..	Dasada ..	3,000	—	—	—	—	—	—	—
409	Porbandar	—	—	—	—	15,000	A (1)	22,25,000	1.6	—
410	" ..	—	—	—	—	21,202	B (6)	—	—	—
411	" ..	Baroda ..	7,196	—	—	—	—	—	—	—
412	" ..	Junagadh ..	5,106	—	—	—	—	—	—	—
413	Rai Sankli	—	—	—	—	—	—	—	—	—
414	" ..	Baroda ..	382	—	—	556	B (6)	29,000	1.9	—

[illegible]

462	Sisang-Chandli	..	Junagadh	226	—	—	—	—	—	—	—	—
463	Songadh (Vachhani)	..	Baroda	503	—	—	—	—	—	—	—	—
464	" "	..	Junagadh	69	—	—	—	—	—	—	—	—
465	Sudamada-	..	—	—	2,381	B (6)	—	—	—	—	381	—
	Dhandhalpur											
466	" "	..	Junagadh	743	—	—	—	—	—	—	—	—
467	Talsana ..	..	—	—	913	B (6)	—	—	—	—	463	—
468	" "	..	Junagadh	139	—	—	—	—	—	—	—	—
469	Tavi ..	..	—	—	310	B (6)	—	—	—	—	60	—
470	" "	..	Junagadh	25	—	—	—	—	—	—	—	—
471	Thara ..	..	Baroda	3,615	—	—	—	—	—	—	—	—
472	Toda-Vachhani	..	Baroda	147	—	—	—	—	—	—	—	—
473	" "	..	Junagadh	28	—	—	—	—	—	—	—	—
474	Umbari ..	..	Baroda	361	—	—	—	—	—	—	—	—
475	Una ..	..	Baroda	614	—	—	—	—	—	—	—	—
476	Untli ..	..	—	—	493	B (6)	—	—	—	—	393	—
477	" "	..	Junagadh	46	—	—	—	—	—	—	—	—
478	Vada ..	..	Baroda	91	—	—	—	—	—	—	—	—
479	Vadal-Bhandaria	..	Baroda	154	—	—	—	—	—	—	—	—
480	Vadali ..	..	—	—	—	—	—	—	—	—	—	—
481	" "	..	Junagadh	78	—	—	—	—	—	—	—	—
482	Vadod (Devani)	..	—	—	1,252	B (6)	—	—	—	—	1,102	—
483	" "	..	Baroda	940	—	—	—	—	—	—	—	—
484	" "	..	Junagadh	162	—	—	—	—	—	—	—	—
485	Vadod (Jhalawad)	..	Junagadh	278	—	—	—	—	—	—	—	—
486	Vaghavadi	..	Baroda	135	—	—	—	—	—	—	—	—
	(Vaghvori)	..										
487	" "	..	Junagadh	19	—	—	—	—	—	—	—	—
488	Vala ..	..	Baroda	6,854	—	—	—	—	—	—	—	—
489	" "	..	Junagadh	2,348	—	—	—	—	—	—	—	—
490	Vana ..	..	—	—	3,615	B (6)	—	—	—	—	2,665	—
491	" "	..	Junagadh	278	—	—	—	—	—	—	—	—
492	Vanala ..	..	—	—	396	B (6)	—	—	—	—	296	—
493	" "	..	Unknown	278	—	—	—	—	—	—	—	—

APPENDIX IV—(contd.).

Inter-State Contributions. (The figures of these contributions (other than those in column 4 (B) having been obtained from a variety of sources, their completeness and accuracy are doubtful.)				Effect of Committee's Recommendations for immediate relief, or other special treatment.						
1	2	3	4	5	6	7	8	9	10	
Serial No. of Contribution.	Name of Contributing State.	Name of Creditor State.	Amount of Contribution.		Total of Contributions received from other States (for details see Table 4 (A)).	Amount of Contribution to British Government.	Where classified in Appx. III.	Average Revenue of State for years 1928-30 (see Memo. random on Indian States, 1930).	Percentage borne by Cash Contribution in Column 6 to Revenue in Column 8.	Estimated Amount to be remitted immediately as representing excess over 5 per cent. of Revenue, or other special recommendation.
			(A) Retained by Creditor State.	(B) Ceded by Creditor State to British Government (see Appx. III, Schedule B (7)).						
WESTERN INDIA STATES—(concld.).										
494	Vangadhra ..	Baroda ..	79	—	—	—	—	2,000	—	—
495	" ..	Junagadh ..	25	—	—	17,422	B (6)	7,43,000	2.3	—
496	Vankaner ..	—	—	—	—	—	—	—	—	—
497	" ..	Junagadh ..	1,457	—	—	1,953	B (6)	1,00,000	2.0	—
498	Vanod ..	—	—	—	—	—	—	—	—	—
499	" ..	Radhanpur ..	454	—	—	766	B (6)	51,000	1.5	—
500	Vasavad ..	—	—	—	—	—	—	10,000	—	—
501	Vavdi-Dharvala ..	Baroda ..	1,296	—	—	—	—	—	—	—
502	" ..	Junagadh ..	234	—	—	—	—	—	—	—
503	Vavdi-Vachhani ..	Baroda ..	298	—	—	—	—	3,000	—	—
504	" ..	Junagadh ..	56	—	—	—	—	—	—	—
505	Vekaria ..	Baroda ..	55	—	—	—	—	4,000	—	—
506	Vejanones ..	Baroda ..	31	—	—	—	—	500	—	—
507	Virpur ..	—	—	—	—	3,418	B (6)	1,38,000	2.5	—

APPENDIX IV—(contd.).

1		2	3	4		5	Cash Contributions to British Government.		8	9	10
Serial No. of Contribution.	Name of Contributing State.	Name of Creditor State.	Amount of Contribution.		Total of Contributions received from other States (for details see Column 4 (A)).	6	7	Where classified in Appx. III.	Average Revenue of State for years 1928-30 (see Memo. andum on Indian States, 1930).	Percentage borne by Cash Contribution to Revenue in Column 8, in Column 9.	Estimated Amount to be remitted immediately as representing excess over 5 per cent. of Revenue, or other special recommendation.
			Retained by Creditor State.	(A)							
BIHAR & ORISSA STATES—(contd.).											
526	Hindol ..	—	—	—	—	551	B (6)		1,22,000	0.5	—
527	Kalahandi (Karond) ..	—	—	—	—	16,000	B (6)		6,32,000	2.5	—
528	Keonjhar ..	—	—	—	—	1,710	B (6)		9,42,000	0.2	—
529	Khandpara ..	—	—	—	—	4,212	B (6)		1,35,000	3.1	—
530	Mayurbhanj ..	—	—	—	—	1,068	B (6)		27,37,000	0.04	—
531	Narsingpur ..	—	—	—	—	1,456	B (6)		1,16,000	1.3	—
532	Nayagarh ..	—	—	—	—	5,525	B (6)		3,54,000	1.6	—
533	Nilgiri ..	—	—	—	—	3,900	B (6)		1,93,000	2.0	—
534	Pal Lahara ..	—	—	—	—	267	B (6)		80,000	0.3	—
535	Patna ..	—	—	—	—	13,500	B (6)		8,55,000	1.6	—
536	Ranpur ..	—	—	—	—	1,401	B (6)		66,000	2.1	—
537	Rairakhol ..	—	—	—	—	2,000	B (6)		87,000	2.3	—

538	Sonpur ..	..	—	—	—	12,000	B (6)	3,75,000	3.2	—
539	Talcher ..	..	—	—	—	1,040	B (6)	2,78,000	0.4	—
540	Tigiria ..	..	—	—	—	882	B (6)	32,000	2.8	—
BOMBAY STATES.										
<i>Bijapur Agency.</i>										
541	Jath ..	..	—	—	—	11,247	B (6)	3,31,000	3.4	—
542	„	..	—	—	958	—	—	—	—	—
<i>Kaira Agency.</i>										
543	Cambay ..	..	—	—	—	21,924	B (6)	9,95,000	2.2	—
<i>Kolhapur and South- ern Maharashtra Country Agency.</i>										
544	Jamkhandi ..	..	—	—	—	20,841	B (6)	9,88,000	2.1	—
545	Kholapur ..	..	—	—	—	1,44,00 (about)	A (5)	1,39,29,000	1.0	—
546	Kurundwad (Senior and Junior).	..	—	—	—	9,619	B (6)	6,48,000	1.5	—
547	Miraj, Senior	..	—	—	—	12,558	B (6)	4,56,000	2.8	—
548	Miraj, Junior	..	—	—	—	6,412	B (6)	3,61,000	1.8	—
549	Mudhol ..	..	—	—	—	2,672	B (6)	5,11,000	.5	—
550	Ramdurg ..	..	—	—	—	3,089	B (6)	3,41,000	.9	—
551	Sangli ..	..	—	—	—	24,575	B (6)	13,69,000	1.7	—

See Chapter III,
paras. 73 & 88.

Sl. No.	Place	Population	Area (Sq. Miles)	Population per Sq. Mile	Remarks
564	Danda	514	10,000	0.7	
565	Baroda	699	4,000		
566	Dedrota	74	7,000		
567	Idar	256	10,000		
568	Deloli	513	51,000		
569	Derol	46	Unknown		
570	Idar	43	3,000		
571	Gabat	2,693	11,000		
572	Ghodasar	42	14,17,000		
573	Gokalpura	113	5,000		
574	Hadol	41	46,000		
575	Idar	1,025	Unknown		
576	Hapa	219	12,000		
577	Idar	20,793	—		
578	Idar	238	8,868		
579	Iapura	1,863	—		
580	Ilol	445	—		
581	Idar	865	—		
582	Jher-Nirmali	513	—		
583	Kadoli	93	—		
584	Idar	48	3,000		
585	Kasalpura	4,893	51,000		
586	Katosan	1,597	37,000		
587	Khadal	303	14,000		
588	Khedawada	93	—		
589	Idar	93	16,000		
590	Magodi	892	18,000		
591	Maguna	—	59,000		
592	Malpur	280	—		
593	Idar	396	—		
594	Mansa	11,754	1,75,000		
595	Mchmadpura	174	2,000		
596	Mohanpur	4,750	64,000		
597	Idar	2,552	—		

609	Rupel ..	..	Baroda	1,165	—	—	—	—	14,000	—	—	—
610	" ..	..	Idar	362	—	—	—	—	Unknown	—	—	—
611	Santhal ..	..	Baroda	1,773	—	—	—	—	48,000	—	—	—
612	Sethamba ..	..	Baroda	308	—	—	—	—	—	—	—	—
613	" ..	..	Balsinor	561	—	—	—	—	—	—	—	—
614	" ..	..	Lunawada	127	—	—	—	—	—	—	—	—
615	Sethlana ..	..	Baroda	2,794	—	—	—	—	16,000	—	—	—
616	Sudama ..	..	Baroda	1,036	—	—	—	—	34,000	—	—	—
617	" ..	..	Idar	361	—	—	—	—	6,000	—	—	—
618	Tejपुरी ..	..	Baroda	699	—	—	—	—	—	—	—	—
619	" ..	..	Idar	186	—	—	—	—	3,000	—	—	—
620	Tejपुरा ..	..	Baroda	308	—	—	—	—	5,000	—	—	—
621	Timba ..	..	Idar	50	—	—	—	—	9,000	—	—	—
622	Vaktapur ..	..	Baroda	1,118	—	—	—	—	—	—	—	—
623	" ..	..	Idar	486	—	—	—	—	19,000	—	—	—
624	Valsana ..	..	Baroda	280	—	—	—	—	36,000	—	—	—
625	Varsoda ..	..	Baroda	1,583	—	—	—	—	4,000	—	—	—
626	Viroda ..	..	Baroda	681	—	—	—	—	25,000	—	—	—
627	Wasna ..	..	Baroda	3,109	—	—	—	—	—	—	—	—
Poona Agency.				—	—	—	—	—	5,63,000	0.8	—	—
628	Bhor ..	..	—	—	—	—	—	—	—	—	—	—
Beva Kantha Agency.				—	—	—	—	—	—	—	—	—
629	Agar ..	..	Baroda	143	—	—	—	—	39,000	—	—	—
630	Alwa ..	..	Baroda	51	—	—	—	—	14,000	—	—	—
631	Amrapur ..	..	Baroda	155	—	—	—	—	800	—	—	—
632	Angadh ..	..	Baroda	1,344	—	—	—	—	12,000	—	—	—
633	Balsinor ..	..	Baroda	—	—	—	—	—	2,50,000	—	—	—

See Chapter III,
paras. 82-83.

APPENDIX IV—(contd.).

1	2	3	4		5	6	7	8	9	10
			Amount of Contribution.							
Serial No. of Contribution.	Name of Contributing State.	Name of Creditor State.	Retained by Creditor State.	Ceded by Creditor State to British Government (see Appx. III, Schedule B (7)).	Total of Contributions received from other States (for details see Column 4 (A)).	Amount of Contribution to British Government.	Where classified in Appx. III.	Average Revenue of State for years 1928-30 (see Memo. on random on Indian States, 1930).	Percentage borne by Cash Contribution to Revenue in Column 8.	Estimated Amount to be remitted immediately as representing excess over 5 per cent. of Revenue, or other special recommendation.
Inter-State Contributions.										
(The figures of these contributions (other than those in column 4 (B)) having been obtained from a variety of sources, their completeness and accuracy are doubtful.)										
BOMBAY STATES										
—(contd.).										
Roux Kantha Agency										
—(contd.).										
634	Palesinor ..	Baroda ..	3,078	—	—	—	—	91,000	—	—
635	Bhadarwa ..	Baroda ..	14,674	—	—	—	—	20,000	—	—
636	Bhilodia ..	Baroda ..	1,866	—	—	—	—	3,000	—	—
637	Bihora ..	Baroda ..	39	—	—	—	—	20,000	—	—
638	Chhaljar ..	Baroda ..	2,616	—	—	—	—	14,70,000	—	—
639	Chhotu Udepur ..	Baroda ..	7,806	—	365	—	—	30,000	—	—
640	Choranga ..	Baroda ..	73	—	—	—	—	3,000	—	—
641	Chudisar ..	Baroda ..	239	—	—	—	—	28,000	—	—
642	Damasia (Vanmala) ..	Baroda ..	102	—	—	—	—	7,000	—	—
643	Dhaxi ..	Baroda ..	731	—	—	—	—	4,000	—	—
644	Dodha ..	Baroda ..	850	—	—	—	—	—	—	—

645	Dudhpur	Baroda	27	—	—	—	—	—	—	700	—
646	Gad Baried	Chhota Udepur.	265	—	—	—	—	—	—	44,000	—
647	Gesol ..	Baroda	30	—	—	—	—	—	—	Unknown	—
648	Goteadi ..	Baroda	327	—	—	—	—	—	—	1,000	—
649	Gothda (Litr)	Baroda	165	—	—	—	—	—	—	5,000	—
650	Iwred ..	Baroda	462	—	—	—	—	—	—	2,000	—
651	Jambhugoda	Baroda	32	—	—	—	—	—	—	1,28,000	—
652	Jesar ..	Baroda	116	—	—	—	—	—	—	2,000	—
653	Jiral Kamsoli	Baroda	256	—	—	—	—	—	—	9,000	—
654	Jumkha ..	Baroda	39	—	—	—	—	—	—	1,500	—
655	Kenoda ..	Baroda	1,231	—	—	—	—	—	—	7,000	—
656	Kasla-Pagina-Muvada.	Baroda	50	—	—	—	—	—	—	1,000	—
657	Lunawada	Gwalior	—	9,230	127	—	—	—	—	5,80,000	—
658	"	Baroda	5,001	—	—	—	—	—	—	—	—
659	Mandwa ..	Baroda	1,704	—	—	—	—	—	—	97,000	—
660	Mevli ..	Baroda	1,155	—	—	—	—	—	—	9,000	—
661	Moka-Pagina-Muvada.	Baroda	96	—	—	—	—	—	—	1,000	—
662	Nahara ..	Baroda	19	—	—	—	—	—	—	75	—
663	Nalis ..	Baroda	28	—	—	—	—	—	—	1,000	—
664	Nangam ..	Baroda	995	—	—	—	—	—	—	4,000	—
665	Naawadi ..	Baroda	1,301	—	—	—	—	—	—	41,000	—
666	Palasani ..	Baroda	1,639	—	—	—	—	—	—	24,000	—
667	Pandu ..	Baroda	3,462	—	—	—	—	—	—	7,000	—
668	Pantalaodi	Rajpipla	171	—	—	—	—	—	—	6,000	—
669	Poicha ..	Baroda	1,155	—	—	—	—	—	—	3,000	—
670	Raika ..	Baroda	443	—	—	—	—	—	—	8,000	—
671	Rajpipla	Baroda	50,000	—	171	—	—	—	—	24,00,000	—
672	Rajpur ..	Baroda	39	—	—	—	—	—	—	1,000	—
673	Rampura	Baroda	1,094	—	—	—	—	—	—	8,000	—
674	Rengan ..	Baroda	355	—	—	—	—	—	—	5,000	—

See Chapter III,
para. 82-83.

APPENDIX IV—(contd.).

1	2	3	4		5	6		7	8	9	10
Serial No. of Contribution.	Name of Contributing State.	Name of Creditor State.	Amount of Contribution		Total of Contributions received from other States (for details see Column 4 (A)).	Cash Contributions to British Government.		Where classified in Appx. III.	Average Revenue of State for years 1928-30 (see Memo. on random on Indian States, 1930).	Percentage borne by Cash Contribution in Column 6 to Revenue in Column 8.	Estimated Amount to be remitted immediately as representing excess over 5 per cent. of Revenue, or other special recommendation.
			Retained by Creditor State.	(B)		Amount of Contribution to British Government.					
Inter State Contributions. (The figures of these contributions (other than those in column 4 (B)) having been obtained from a variety of sources, their completeness and accuracy are doubtful.)											
675	BOMBAY STATES —(contd.)— Rewa Kantha Agency —(contd.)—	Rund	10,000	—	—	—	—	—	Unknown	—	See Chapter III, paras. 82-83.
676		Guadior	—	5,385	—	—	—	—	5,80,000	—	
677	Shanor Sihora Sindhia-pura Uchad Umetha Vaigiria Vakhtapur Varnolmal	Baroda	1,214	—	—	—	—	—	30,000	—	
678		Baroda	3,693	—	—	—	—	—	34,000	—	
679		Baroda	44	—	—	—	—	—	6,000	—	
680		Baroda	679	—	—	—	—	—	44,000	—	
681		Baroda	3,846	—	—	—	—	—	72,000	—	
682		Baroda	3,851	—	—	—	—	—	56,000	—	
683		Baroda	116	—	—	—	—	—	2,000	—	
684		Baroda	65	—	—	—	—	—	1,000	—	

685	Varnoli Moti	..	Baroda	78	—	—	—	1,000	—	—	—
686	Varnoli Nani	..	Baroda	19	—	—	—	600	—	—	—
687	Vasan Sevada	..	Baroda	885	—	—	—	9,000	—	—	—
688	Vasan Virpur	..	Baroda	332	—	—	—	48,000	—	—	—
689	Virampura (Vadia)	..	Baroda	79	—	—	—	800	—	—	—
690	Vohora ..	..	Baroda	655	—	—	—	13,000	—	—	—
<i>Satara Agency.</i>											
691	Aundh ..	..	—	—	—	958	—	4,68,000	—	—	—
692	Phaltan ..	..	—	—	—	—	9,600	3,80,000	B (6)	2.5	—
<i>Sholapur Agency.</i>											
693	Akalkot ..	..	—	—	—	—	14,592	7,33,000	B (6)	2.0	—
<i>Surat Agency.</i>											
694	Babada ..	..	—	—	—	—	153 (7,351)	8,06,000	B (6)	0.02	—
695	Dharantu	..	—	—	—	—	9,000	12,51,000	B (6)	0.7	—
CENTRAL PROVINCES STATES.											
696	Bastar ..	..	—	—	—	—	18,000	9,59,000	B (6)	1.9	—
697	Changbhakar	..	—	—	—	—	160	27,000	B (6)	0.6	—
698	Chhuikhadan	..	—	—	—	—	12,000	1,22,000	B (6)	9.8	5,900
699	Jashpur ..	..	—	—	—	—	2,000	3,61,000	B (6)	0.6	—
700	Kawardha	..	—	—	—	—	30,000	3,92,003	B (6)	7.7	10,400
701	Kharagah	..	—	—	—	—	80,000	6,26,000	B (6)	12.8	48,700
702	Korea ..	..	—	—	—	—	750	2,75,000	B (6)	0.3	—

APPENDIX IV—(contd.).

Inter-State Contributions. (The figures of these contributions (other than those in column 4 (B)) having been obtained from a variety of sources, their completeness and accuracy are doubtful.)				Cash Contributions to British Government.			Effect of Committee's Recommendations for immediate relief, or other special treatment.			
1	2	3	4	5	6	7	8	9	10	
Serial No. of Contribution.	Name of Contributing State.	Name of Creditor State.	Amount of Contribution.		Total of Contributions received from other States (for details see Column 4 (A)).	Amount of Contribution to British Government.	Where classified in Appx. III.	Average Revenue of State for years 1928-30 (see Memorandum on Indian States, 1930).	Percentage borne by Cash Contribution in Column 6 to Revenue in Column 8.	Estimated Amount to be remitted immediately as representing excess over 5 per cent. of Revenue, or other special recommendation.
			(A)	(B)						
			Relieved by Creditor State.	Ceded by Creditor State to British Government (see Appx. III, Schedule B (7)).						
CENTRAL PROVINCES										
STATES—(contd.).										
703	Nandgaon ..	—	—	—	—	80,000	B (6)	6,39,000	12.5	48,050
704	Raigarh ..	—	—	—	—	5,500	B (6)	6,72,000	0.8	—
705	Sakti ..	—	—	—	—	1,500	B (6)	1,26,000	1.2	—
706	Sarangarh ..	—	—	—	—	4,500	B (6)	3,04,000	1.5	—
707	Sarguja ..	—	—	—	—	3,500	B (6)	5,65,000	0.6	—
708	Udaipur ..	—	—	—	—	1,200	B (6)	2,27,000	0.5	—
PUNJAB.										
Siwaka Hill States.										
709	Baghal ..	—	—	—	—	3,600	A (4)	1,04,000	3.5	—
710	Baleen ..	—	—	—	—	1,080	A (4)	87,000	1.2	—

APPENDIX V.

DISTRIBUTION, NATURE AND VALUE OF ASCERTAINED RIGHTS OF STATES IN RESPECT OF SALT.

(Salt is at present taxed in India at the rate of Rs. 1/9 per maund (82 lbs.) but 5 annas, or 25 per cent., of this amount represents a surcharge recently imposed as an emergency measure. For purposes of calculating in cash the immunities which take the form of a supply of duty free salt the present rate of Rs. 1/9 has been adopted throughout these Schedules.)

SCHEDULE A.—Agreements anterior to the general settlement inaugurated in 1869 (in chronological order).

Serial No.	Date of Agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
1	1824	Jhijnhuwada ..	The State's rights to manufacture salt were sold to the East India Company for an annual payment of Rs. 7,788. The State receives 340½ maunds of duty free salt per annum.	340½ maunds of untaxed salt.	Rs. 532
2	1824	Palampur ..	The State's rights to manufacture salt were surrendered. The State receives 350½ maunds of duty free salt per annum.	350½ maunds of untaxed salt.	Rs. 549
3	1824	Patdi ..	The East India Company acquired from the Peahwa his quarter share of the salt works situated in this petty State. These works have been consistently exploited by Government since 1824 when the Patdi share in them was acquired for an annual cash payment of Rs. 10,521. They were incorporated in Government's Karagoda salt works in 1873. The State receives 715 maunds of duty free salt per annum.	715 maunds of untaxed salt.	Rs. 1,117

4	1840	Radhanpur ..	<p>The East India Company had acquired from the Peshwa a half share of the local salt works. The Agreement of 1840 transferred the other half to the Company in consideration of an annual cash payment of Rs. 11,048, almost all of which represents compensation for the Nawab's previous receipts from the pans and from transit duties. The local salt works were closed down in 1875 and have not since been re-opened. The State receives 350 maunds of duty free salt per annum.</p>	350 maunds of untaxed salt.	Rs. 547
5	1845	Rampur	<p>In 1845 all transit duties were abolished by the Darbar. They are said to have yielded an annual income of Rs. 15,000. The compensation given by Government was an annual supply of 5,000 maunds of duty free salt and 20 maunds of duty free opium.</p>	5,000 maunds of untaxed salt.	Rs. 7,812
6	1848	Wao..	<p>The Rana of Wao receives an annual cash payment of Rs. 287 for preventing all export or transit of untaxed salt from or through his territory. The subjects of the State are also allowed the untaxed use, under restrictions, of spontaneously generated salt. On a population basis the normal consumption of salt within the State is 3,240 maunds and our information is that, of this quantity, 1,250 maunds of taxed salt are imported, leaving a residue of 1,996 maunds consumed without payment of tax.</p>	1,996 maunds of untaxed salt.	Rs. 3,119

APPENDIX V—(contd.).

SCHEDULE A—(contd.).

Serial No.	Date of Agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
7	1865	Travancore ..	<p>The right of Travancore to manufacture salt from its own sources has neither been bought out nor restricted by any agreement. The State has of late years extensively developed those sources, in the hope of being able to supply the whole of its population from them. Under the inter-portal convention of 1865 Travancore agreed to adopt the British Indian selling price of salt and received the privilege of importing from British India all the salt required by the State at commercial price without payment of duty.</p>	<p>By virtue of its own production and its right of importing all salt required duty free the State enjoys complete immunity from the payment of British Indian salt tax. The State's population is 5,095,973 (1931) and the Special Committee quotes the rate of consumption for the group to which Travancore belongs at 20-32 lb. per head. Figures presented by the Darbar argue an even higher rate of consumption, but, adopting the rate stated by the Special Committee, the annual consumption of salt within the State is now 12,62,807½ maunds per annum.</p>	Rs. 19,73,136

Ra. 4,66,576

The State enjoys complete immunity from payment of British Indian salt tax. The population is 1,205,016 (1931) and the annual consumption of salt on a basis of 20-32 lb. per head is 2,98,609 maunds.

Cochin and Travancore are covered by one and the same agreement. The conditions applicable to Cochin are identical with those of Travancore as stated above, except that Cochin no longer exercises its right to manufacture salt within the State.



सत्यमेव जयते

..

Cochin

1865

8

APPENDIX V—(contd).
 SCHEDULE B (1).—Agreements concluded as part of the general settlement with States in Rajputana and Central India,
 and Bahawalpur (1869—79).

Serial No.	Date of Agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
1	1869 and 1879	Jaipur	<p>The Sambhar salt lake is the joint property of the Jaipur and Jodhpur States. The Jaipur share of the lake was leased to the Government of India under agreement of 1869 whereby the Darbar received compensation for the surrender of commercial assets to the amount of Rs. 2,75,000 per annum, together with a royalty on production when it exceeded a specified limit, and in addition a grant of 1,72,000 maunds of duty free salt with a further 7,000 maunds of duty free salt for the use of the Darbar. A second agreement was executed in 1879, under which secondary salt works in Jaipur State were suppressed by the Maharaja or transferred to Government and the grant of 1,72,000 maunds commuted into an annual cash compensation of Rs. 4,00,000.</p> <p>A close study not only of the relevant treaties and agreements but also of the correspondence in the possession of the Government of India which led up to the commutation referred to leaves no doubt that the Rs. 4,00,000 and 7,000 maunds granted to the Darbar constitute immunities enjoyed by the State and that all other payments received by it are for commercial considerations.</p>	Cash payment of Rs. 4,00,000 and 7,000 maunds of untaxed salt.	Rs. 4,10,937

Rs. 3,84,844

(1) Supply of duty free salt for consumption within the State, and (2) supply of 24,000 maunds of salt, free of all charges. Having regard to the average indents actually made for duty free salt the immunity consists of the duty on 2,22,300 + 24,000 maunds of salt, i.e., 2,46,300 maunds.

Under two agreements concluded in 1870 the Maharaja leased to the British Government his salt rights at, and in the vicinity of, the Sambhar lake. The annual rentals for these leases amount to Rs. 4,25,000. There was also, as in the case of Jaipur, provision for the payment of royalty. Further, each of these agreements provided for the supply of 7,000 maunds of salt, free of all charges, for the use of the Jodhpur Darbar. By a subsequent treaty concluded in 1879 the Maharaja (a) leased to the British Government four other salt sources at a total rental of Rs. 3,76,000 and (b) agreed to prevent the manufacture of salt anywhere within his State except at sources administered by the British Government, to exclude salt not taxed by that Government and to abstain from the levy of export, or transit duties on salt. In return for these undertakings, and also in order to provide compensation for the vested interests of third parties and for the cost of preventive establishments, further annual payments totalling Rs. 1,60,392 are made.

In addition to these payments of a rental and commeroi l nature the Treaty of 1879 provided for the annual supply of duty free salt up to a maximum of 2,25,000 maunds "for the use of the people of the Jodhpur State" and an additional supply of 10,000 maunds, free of all charges, for the use of H. H. the Maharaja. In actual practice it has been found that the needs of the people

1870
and
1879

Jodhpur

2

APPENDIX V—(contd).

SCHEDULE B (1)—(contd).

Serial No.	Date of Agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
2— (contd).	1870 and 1879	Jodhpur (contd).	of Jodhpur can be supplied with a lesser amount of salt than the 2,25,000 maunds stipulated in the treaty of 1879. Actual indents during the last 10 years have averaged 2,22,300 maunds.		
3	1879 and 1920	Dholpur	<p>In 1879 the Darbar surrendered the right of levying all customs duties as well as undertaking the necessary measures in respect of salt. The compensation given was an annual cash payment of Rs. 60,000 plus 300 maunds of free salt.</p> <p>In 1919 the Darbar requested that the agreement be revised so as to admit of their levying customs duties. The request was granted and under a new agreement signed in 1920 the prohibition on customs duties was relaxed and the compensation reduced to Rs. 25,788. Of this sum Rs. 3,000 is payable by the Darbar to one of the State's feudatories and a small allowance has to be made for the fact that the compensation also covered the suppression of saccharine production.</p>	Cash compensation for loss of duty at Rs. 2/8 on an estimated production of 10,000 maunds less Rs. 3,000 paid to a State feudatory, plus 300 maunds of duty free salt.	Rs. 22,489

The Nawab of Bahawalpur agreed (1) to suppress and prohibit the local manufacture of salt, (2) to abolish all customs and transit duties, (3) to exclude untaxed salt, and (4) to prohibit the export of intoxicating drugs and liquor.

In consideration of the due and effectual observance of all the above stipulations the British Government agreed to pay His Highness Rs. 80,000 per annum,

From the correspondence preceding the conclusion of the agreement it is clear that the total net customs revenue of the State at that time was about 2 lakhs of rupees, out of which salt accounted for Rs. 2,300 only and sugar Rs. 24,500. About Rs. 40,000 represented octroi and ferry collections which it was not proposed to abolish, so the total net State revenue proposed for extinction was Rs. 1,80,000. It was decided that half this loss should be borne by the British Government—hence the fixation of the compensation at Rs. 80,000. The State was at the time under minority administration and it was considered that the boon to the people resulting from the abolition of the Customs Department would be so great as to justify substantial sacrifice of revenue.

Nil.

Full consideration compels the conclusion that no immunity arises in respect of the payment of Rs. 80,000, except for Rs. 2,300 allotted for extinction of salt revenue. Of this, only a moiety can be dealt with, as Government pays only a moiety of the loss sustained, and of this moiety only so small a portion can be regarded as purchase money for tax transferred that we propose to disregard it.

APPENDIX V—(contd.).

SCHEDULE B (1)—(contd.).

Serial No.	Date of Agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
	1879	Bharatpur ..	The important salt works of this State were rendered economically unproductive by the development of the Sambhar lake salt works. The Maharaja closed his works and declined to accept compensation for so doing but in the agreement of 1879 compensation of Rs. 1,50,000 per annum was awarded in return for undertakings additional to the closing of salt works, together with a composition of Rs. 2,26,000 to local salt manufacturers for loss of business and an annual grant of 1,000 maunds of duty free salt to the Maharaja.	Receipt of 1,000 maunds of free salt per annum.	Rs. 1,562
	1879 1882 1884	Sirohi	By the agreement of 1879 the Darbar engaged (1) to prohibit salt manufacture, (2) to exclude untaxed salt, and (3) to abolish transit duties on salt. In return the British Government undertook to pay annually (2) Rs. 900 for charges incurred in preventing manufacture or illicit import and (b) Rs. 900 for abolition of transit duties. Further the Darbar were permitted to purchase 13,000 maunds of salt at half duty rates for local consumption.	The Darbar receive an annual cash payment representing half the duty (1884) on 18,000 maunds.	Rs. 9,000

7	1879 and 1930	Alwar	<p>In 1882 the quantity for purchase at privileged rates was raised from 13,000 to 18,000 maunds. In 1884 a cash payment of Rs. 9,000 was substituted for the supply of salt at privileged rates subject to the stipulation that the Darbar should free the salt trade in the State from all imposts of every description. This cash payment was calculated on the basis of the salt duty then in force (Rs. 2 per maund).</p>	<p>The cash compensation has been calculated on the basis of the annual value of the right to tax salt in Alwar at the prevailing rate of duty and this variable figure represents the extent of the immunity enjoyed by the State, to which must be added 1,000 maunds of duty free salt also received.</p>	Rs. 1,09,374
			<p>Under the agreement of 1879 the Maharaja undertook to suppress all salt manufacture and to prevent the importation of untaxed salt. He also agreed to discontinue the levy of export, import or transit duties of any kind.</p> <p>In return for these concessions he was to receive an annual payment of Rs. 1,25,000 and 1,000 maunds of salt, free of cost and duty. In 1923 the Darbar asked for a revision of this agreement with a view to authorise the re-imposition of export and import duties. The Government of India agreed to this request and revised the compensatory payment in accordance with "the estimated amount of profit which would at present be accruing to themselves if compensation on the existing scale were not being paid from consumption of Government taxed salt in Alwar." After a careful consideration of the available statistics they calculated this amount at approximately Rs. 85,000 per annum. This calculation was based on a duty at Rs. 1-4-0 per maund and the compensation is now liable to be</p>		

APPENDIX V—(contd.).

SCHEDULE B (1)—(contd.).

Serial No.	Date of Agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
7— (contd.).	1879 and 1930	Alwar (contd.).	<p>enhanced or reduced proportionately to the rate of duty. At the prevailing rate of Rs. 1/9 it amounts to Rs. 1,07,812. The new agreement of 1930 provides for (1) Rs. 85,000 salt compensation, with enhancement or reduction as indicated above, (2) 1,000 maunds of free salt, and (3) Rs. 3,300 compensation for abolition of transit duties. This latter payment appears to have no relation to salt.</p> <p>The agreement also binds the Maharaja to prohibit the export to hemp drugs, opium, liquor, etc., into British territory.</p>		
	1879	Lawa	<p>The Thakur of Lawa agreed (1) to suppress all local manufacture, (2) to prohibit the import of untaxed salt, and (3) to abolish all customs duties. In return he receives annually Rs. 750 and 10 maunds of free salt.</p>	Immunity assessed at one-third of the total cash compensation together with 10 maunds of untaxed salt.	Rs. 266

9	1879	Kishengarh ..	<p>The Maharaja of Kishengarh surrendered the right of levying all customs duties as well as undertaking the necessary measures in respect of salt. He also promised to prohibit, if required by the British Government, the export of intoxicating drugs and liquor.</p> <p>In return he receives an annual payment of Rs. 25,000 and 50 maunds of free salt.</p> <p>The assessment of the compensatory payment was arrived at on a consideration of the following facts:—</p> <p>(1) that the salt production of the State was only about 6,300 maunds of very inferior earth salt;</p> <p>(2) that the Maharaja was giving up revenue amounting to over Rs. 30,000 per annum—most of which was derived from customs and transit duties on articles other than salt, but that not more than Rs. 25,000 could be expected to be derived from subjecting the State to salt taxation.</p>	Duty value of potential local production, viz., 6,300 maunds, plus 50 maunds of untaxed salt.	Rs. 9,922
10	1879 and 1913	Bikaner ..	<p>The Maharaja agreed in 1879 (1) to suppress all local salt sources except two where the maximum annual out-turn was to be restricted to 30,000 maunds, (2) to exclude all untaxed salt, (3) to abolish transit duties on taxed salt and (4) to prohibit the export of intoxicating drugs and liquor. In consideration for (1) and (2) and for the charges incurred in preventing the illicit manufacture and export of salt he receives Rs. 6,000 per annum.</p> <p>The Maharaja was also authorised to purchase annually from British salt works, for local consumption, 20,000 maunds of salt on which British duty would be levied at half rate only.</p>	The Darbar enjoy the privilege of obtaining 76,000 maunds on payment of half the prevailing duty, the remaining half accruing to the State.	Rs. 59,375

APPENDIX V—(contd.),
SCHEDULE B (1)—(contd.).

Serial No.	Date of Agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
10— (contd.)	1879 and 1913	Bikaner—(contd.)	By a second agreement concluded in 1913 the limited right of local production was cancelled and the compensation of Rs. 6,000 was made applicable to "the charges which may be incurred by His Highness" in respect of all the obligations accepted by him. The quantity of salt on which only half duty was to be levied was raised from 20,000 to 76,000 maunds and the Darbar are entitled to ask for a further revision if in the future this quantity is found to be insufficient for the ordinary requirements of the State. The Darbar complained that there has occasionally been failure on the part of the British Indian Salt Department in complying fully with their indent for salt up to the prescribed maximum of 76,000 maunds. We have enquired into this and ascertained that it was due to administrative difficulties and is not likely to recur.		
11	1879	Udaipur (Mewar)	The Maharana agreed (1) to suppress and prohibit local manufacture, (2) to exclude untaxed salt, (3) to abolish transit duties on taxed salt. In consideration for (1) and (2) Rs. 2,900 was payable annually to certain landholders and Rs. 10,000 to the Darbar for charges which may be incurred	The Darbar receive an annual cash payment representing half the duty (1879) on their estimated salt requirements, and 1,000 maunds of untaxed salt.	Rs. 1,57,812

in preventing the re-opening of suppressed works. In consideration for (3) and "having regard to the probable diminution of the Maharana's present revenue from transit duties upon salt," the British Government engaged to pay to His Highness Rs. 35,000 per annum.

The Darbar were further permitted to purchase annually 1,25,000 maunds of salt at half duty rates, with permissive increase if this quantity was subsequently found to be materially insufficient and 1,000 maunds were to be delivered free of all charges for the use of His Highness.

At the request of the Darbar the purchase privilege was commuted in the same year to an annual cash payment of Rs. 1,56,250 which was calculated upon a duty of Rs. 2/8 per maund.

12 1879 Jaisalmer ..

This Darbar possesses its own salt works and continues to operate them. In 1879 the Darbar engaged to restrict local salt manufacture to an output of 15,000 maunds per annum, to prohibit its export and to abolish export or transit duties on salt upon which duty had been levied by the British Government. They also undertook to tax their own salt at a rate of Re. 1 per maund. This was in order to prevent it being so cheap as to encourage smuggling out of the State. These undertakings did not call for compensation, Jaisalmer being left free to supply all its population with salt of local production.

Rs. 15,972.

Assuming that no British taxed salt enters Jaisalmer, in respect of which no information has been obtainable, the State enjoys complete immunity from British Indian salt tax. On the basis of population (76,255 in 1931) and a consumption of salt at 10.99 lbs. per head (Special Committee) the annual consumption is 10,222 maunds.

APPENDIX V—(contd.).
SCHEDULE B (1)—(contd.).

Serial No.	Date of agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
13	1879	Datia	<p>The Maharaja agreed (1) to restrict local manufacture to certain specified works with a maximum annual out-turn of 16,480 maunds ; (2) to prohibit the export of locally manufactured salt or the import of untaxed salt ; (3) to levy no taxation on salt which had paid duty to the British Government, and (4) to prohibit the export of intoxicating drugs and liquor.</p> <p>In return he receives an annual payment of Rs. 10,000. This was calculated at 8 annas per maund on an estimated consumption of 20,000 maunds, it having been ascertained that this rate of duty had hitherto been imposed by the Darbar on imported superior salt.</p> <p>The Darbar now report that all local salt manufacture was closed down about 15 years ago.</p>	Full consideration compels the conclusion that no immunity arises in respect of the payment of Rs. 10,000 and, in view of the closure of local salt works since the date of the agreement, no immunity arises in this particular either.	Nil.
14	1879 and 1884	Samthar	<p>In 1879 the Maharaja agreed (1) to prohibit manufacture of salt except at saltpetre works where 1,500 maunds of edible salt might be produced ; (2) to exclude untaxed salt ; (3) to levy no taxation on salt which had paid duty to the British Government, and (4) to prohibit the</p>	The immunity in this case is limited to the local production which, in the absence of other information, is taken at the 1,500 maunds permitted under the agreement.	Rs. 1,344

15	1879	Gwalior	<p>export of intoxicating drugs and liquor. In return he receives 500 maunds of free salt. In 1884 a cash payment of Rs. 1,450 was substituted for the 500 maunds of free salt.</p> <p>The Maharaja agreed (1) to limit salt manufacture to certain specified places where the total annual out-turn was not to exceed 54,000 maunds; (2) to prevent the export of salt thus manufactured or the import of any salt other than that taxed by the British Government; (3) to levy no State taxation on salt which had paid the British duty, and (4) to prohibit the export of intoxicating drugs and liquor.</p> <p>In return for these undertakings the British Government engaged to pay to His Highness Rs. 3,12,500 per annum. This sum was calculated at half duty rates (1879) on the basis of the Darbar's additional requirements, viz., 2,50,000 maunds. The Darbar had for many years been taxing imported salt at the rate of Rs. 1/4 per maund and it was felt that they were entitled to continue to enjoy that revenue. This compensation is intended to cover all the concessions made by the Darbar under the agreement. It was specifically decided not to fix any separate sum to compensate the Darbar for the cost of preventive and supervisory arrangements because "Scindia is too big to need or receive a small sum," and it was considered unlikely, having regard to the administrative arrangements already in force, that it would be necessary for him to maintain any extra or special establishment.</p>	Rs. 3,125
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Full consideration compels the conclusion that no immunity arises in respect of the annual compensation of Rs. 3,12,500. The immunity is thus limited to the local production of salt, stated to be 2,000 maunds only.

APPENDIX V—(contd.).
SCHEDULE B (1)—(contd.).

Serial No.	Date of Agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
15— (contd.).	1879	Gwalior— (contd.).	<p>The Gwalior Darbar state that local production has averaged only 2,000 maunds as opposed to the 54,000 maunds permissible under the agreement and they further point out that the existing compensation of Rs. 3,12,500 was admittedly intended to cover other considerations than those connected with the valuation of their salt rights, e.g. the abolition of transit duties on salt and the prohibition of export of liquor and drugs.</p>		

APPENDIX V—(contd.).
SCHEDULE B (2).—Further Agreements concluded with Rajputana States (1882).

Serial No.	Date of Agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
1	1882	Kotah	<p>The Maharao undertook (1) to suppress and prevent all local manufacture of salt, except for a few sources, where "Khari" salt for industrial purposes might be produced up to a maximum of 2,000 maunds per annum, (2) to abolish all tolls, taxes and transit duties on salt, and (3) to exclude untaxed salt.</p> <p>The British Government agreed to pay to His Highness Rs. 16,000 per annum "in lieu of import, export, transit and every other charge on salt". It was also subsequently arranged by that the compensation should be increased by the annual supply of 300 maunds of free salt for the personal use of His Highness.</p>	Assuming the continuance of local production, the State is able to tax 2,000 maunds of its own salt as well as the 300 maunds which it receives free of duty.	Rs. 3,594
2	1882 1899	Jhalawar	<p>The Maharaj Rana undertook in 1882 (1) to suppress and prevent all local manufacture of salt, (2) to abolish all tolls, taxes and transit duties on salt, and (3) to exclude untaxed salt.</p> <p>The British Government undertook to pay to His Highness "in lieu of import, export, transit and every other charge on salt", the sum of Rs. 7,000 annually. This sum was reduced to Rs. 2,500 when the State was reconstituted in 1899.</p>	No immunity arises	Nil.

APPENDIX V—(contd.).
SCHEDULE B (2)—(contd.).

Serial No.	Date of Agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
3	1882	Bundi	<p>The undertakings were similar to those given by Jhalawar, except that there was provision for the continuance of saltpetre works.</p> <p>The compensation is Rs. 8,000 per annum, and was stated to be for "suppression of 'Khari' salt works" in addition to the abolition of taxation on salt.</p>	An immunity arises in respect of the suppressed works, the taxation of whose production was transferred to Government on compensation. This is taken at two-fifths of the whole, on the analogy of Tonk and Shahpura.	Rs. 3,200
4	1882	Tonk	<p>The undertakings given by this State are similar to those given by Bundi. The compensation is Rs. 12,000 "in lieu of import, export, transit, sale and every other charge on salt", and Rs. 8,000 for the suppression of the 'Khari' salt works throughout the State.</p>	See above	Rs. 8,000
5	1882	Shahpura	<p>The undertakings are precisely the same as those given by Bundi and Tonk. The compensation is Rs. 3,000 "in lieu of import, export, transit and every other charge on salt", and Rs. 2,000 for the suppression of all the 'Khari' salt works in the State.</p>	Vide remarks in respect of Bundi and Tonk.	Rs. 2,000
6	1882	Karauli	<p>The undertakings are identical with those given by Jhalawar.</p> <p>The compensation consists of (1) Rs. 5,000 "in lieu of import, export, transit and every other charge on salt", and (2) 50 maunds of free salt for the personal use of the Maharaja.</p>	Fifty maunds of untaxed salt.	Rs. 78

APPENDIX V—(contd).
SCHEDULE B (3).—Agreements concluded with States in Central India with a view to the abolition of Transit Duties only (1882).

Serial No.	Date of Agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
1	1882	Indore	The Maharaja undertook to abolish all transit duties of whatever description on all salt passing through the Indore State. In return he was to receive annually 45,000 maunds of salt at privileged rates. This compensation was, however, almost immediately converted into a cash payment of Rs. 61,875 per annum.	Compensation payable for the abolition of transit duties cannot be regarded as constituting an immunity from the incidence of the salt tax.	Nil.
2	1882	Ratlam	The undertaking was precisely the same as that given by Indore. The compensation is Rs. 1,000.	Do.	Nil.
3	1882	Jaora	The undertaking was precisely the same as that given by Indore. The compensation is Rs. 2,500.	Do.	Nil.
4	1882	Sitamau	The undertaking was precisely the same as that given by Indore. The compensation is Rs. 2,000.	Do.	Nil.
5	1882	Bhopal	The undertaking was precisely the same as that given by Indore. The compensation is Rs. 10,000.	Do.	Nil.

APPENDIX V—(contd.).
SCHEDULE B (3)—(contd.).

Serial No.	Date of Agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
6	1882	Dewas (Senior)	The undertaking was precisely the same as that given by Indore. The compensation first took the form of the free supply of 100 maunds of salt but was subsequently converted into a cash payment of Rs. 412-8-0.	Compensation payable for the abolition of transit duties cannot be regarded as constituting an immunity from the incidence of the salt tax.	Nil.
7	1882	Dewas (Junior)	Do.	Do.	Nil.
8	1882	Sailana	Do.	Do.	Nil.
9	1882	Rajgarh	The undertaking was precisely the same as that given by Indore. Compensation was originally fixed at 150 maunds of free salt but was subsequently changed into a cash payment of Rs. 618-12-0.	Do.	Nil.
10	1882	Narsingarh	Do.	Do.	Nil.

APPENDIX V—(contd.).
SCHEDULE C.—Agreements, Supplementary to the General Settlement inaugurated in 1869, with States other than in Rajputana and Central India.

Serial No.	Date of Agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
1	1875	Hyderabad ..	<p>Earth salt is produced in the Hyderabad State and in 1873 it was believed that such salt was being smuggled into neighbouring districts of British India. Article 3 of the Commercial Treaty of 1802 provides for the free transit between British and Hyderabad territories of their respective products. On representations being made to the Nizam's Government the latter agreed in 1875, notwithstanding the treaty provision referred to above, to prohibit the export of locally produced salt into British territory. No compensation was offered or asked for.</p>	Production of an annual quantity of 5,000 maunds of edible earth salt, taxation on which does not accrue to the Government of India.	Rs. 7,812
2	1879	Mysore ..	<p>Earth salt can be produced in Mysore and the question of restricting or abolishing such production was discussed between 1873 and 1879 during the period of British administration. The action eventually taken was (a) restriction of production, and (b) prohibition of export. No compensation was offered or asked for. Information regarding the quantity of salt now produced in Mysore is not available, as revenue is levied on each salt pan, the average annual revenue therefrom during the last three years being Rs. 1,563.</p>	In the absence of information respecting production, there is no alternative but to take the realised revenue.	Rs. 1,563

APPENDIX V—(contd.).
SCHEDULE C—(contd.).

Serial No.	Date of Agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
3	1879	Akalkot	<p>The Bombay Government reported in 1879 that the manufacture of earth salt was being extensively carried on in all the States in the Deccan and Southern Maratha country. They proposed that all such manufacture should be absolutely prohibited, compensation being allowed wherever the manufacture was of long standing. The principle of this recommendation was that salt manufacture in this part of India was a monopoly privilege which had been acquired by the British Government from the Peshwa and that therefore no sovereign rights therein were vested in the States concerned. The compassionate compensations thus granted were as follows :—</p> <p>Akalkot Rs. 142-0-10 Aundh Rs. 1045-1-7 Jamkhandi Rs. 1,490-12-9 Jath Rs. 1,118-0-0 Kurundwad (Senior) Rs. 1,193-9-3 Miraj (Senior) Rs. 62-1-2 Miraj (Junior) Rs. 6-12-0 Phalten Rs. 2,010-9-9 Sangli Rs. 233-10-6 Savanur Rs. 32-0-0</p>	<p>In view of the fact that there was no admission by Government that these States possessed the right to tax their own subjects in respect of salt and that the payments made have no tax relation, no immunities can be held to arise in these cases.</p>	NIL.
4	1879	Aundh			
5	1879	Jamkhandi			
6	1879	Jath			
7	1879	Kurundwad			
		(Senior)			
8	1879	Miraj (Senior)			
9	1879	Miraj (Junior)			
10	1879	Phalten			
11	1879	Sangli			
12	1879	Savanur			

13	1880	Savantwadi ..	<p>In 1880 the British Government concluded a treaty with Portuguese India for taking a 12 years' monopoly of the manufacture of salt in Goa and the Political Agent for Savantwadi, who was responsible for the administration of this State during the minority of the Ruler, was asked to arrange for the suppression of the salt works in Savantwadi, which adjoins Goa. This was accordingly arranged on a basis of a composition of Rs. 4,386 to the private owners and an annual compensation of Rs. 5,500 to the Darbar for "loss of revenue".</p> <p>Reference to the correspondence leading up to this agreement shows that the State production averaged 3,094 maunds. Allowing for loss of commercial profit, which does not constitute an immunity, we consider it fair to hold that Rs. 4,500 represents compensation paid to the Darbar for loss of tax-revenues.</p>	Fixed annual payment for transfer of tax revenue on 3,094 maunds of salt from the State to British India.	Ra. 4,500
14	1881	Cambay ..	<p>By virtue of rights acquired from the Peshwa the British Government shared equally with the Nawab of Cambay the important salt works situated in that State. The annual output was stated to be about 60,000 maunds, of which 10,000 maunds were locally consumed and 50,000 were exported into British territory to the detriment of British revenue.</p> <p>By the agreement signed in 1881 the Nawab undertook to keep the salt works closed, to suppress, and prevent all salt manufacture in his territory, and to prohibit the importation of any salt other than British duty paid salt. In consideration of these undertakings the Nawab's Government receives annually Rs. 40,000 together with 500 maunds of salt free of all charges.</p>	Fixed annual payment for transfer of tax revenue on 10,000 maunds from the State to British India, plus 500 maunds of un-taxed salt.	Ra. 16,406

APPENDIX V.—(contd.).
SCHEDULE C—(contd.).

Serial No.	Date of agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
15	1881	Ranganapalle ..	The manufacture of earth salt in this State was suppressed in 1881 on payment of an annual compensation of Rs. 3,000.	Fixed annual payment for transfer of tax revenue from the State to British India, allowing for deduction for commercial compensation.	Rs. 2,000
16	1884	Khairpur ..	Salt production seems to have been carried on in this State on a considerable scale up to 1883 and the revenue of the British provinces of Sind suffered from smuggling of this salt. By the agreement of 1884 the Mir of Khairpur agreed to terminate all local production in return for the right to purchase free of duty as much British Indian salt as might be required for consumption in the State. The population of Khairpur is 227,183, which, on the figures given by the Special Committee, would involve a local consumption of about 28,000 maunds, but indents in recent years have averaged only about 23,000 maunds and we assess the immunity accordingly.	Complete immunity, based on an average consumption of 23,000 maunds per annum.	Rs. 35,937
17	1884 1894	Janjira ..	Arrangements for the suppression of the salt industry in Janjira were included in the general customs agreement concluded with that State in 1884. It was found that about 20,000 maunds	Complete immunity for total population both in Janjira and Jafarabad, viz., 110,357, at 12lb. per head, i.e., 16,150 maunds.	Rs. 25,23½

of salt were being annually produced, out of which it was estimated that 10,614 maunds should suffice for the needs of the State population. It was believed that the remainder was being smuggled into British India.

That section of the agreement which related to salt provided for the annual supply of 10,614 maunds of British Indian salt, free of duty for local consumption. There was separate provision for an annual payment of Rs. 13,000 in consideration of the Nawab's compliance with the necessary administrative requirements in respect of salt and customs.

In 1894 there was a revised agreement under which the Nawab is now entitled to purchase, free of duty, for consumption within his State, British Indian salt to an amount calculated to allow 12 lbs. for each head of the population as computed at the last preceding census. The population of Janjira (apart from Jafarabad), is 98,274 (1931).

The district of Jafarabad, in Kathiawar, belonging to the State of Janjira, manufactures its own salt to the full requirements of its population, which (1931) is 12,083.

Before 1887 a large quantity of earth salt was manufactured in this State and much of it was smuggled into Madras districts to the detriment of British Indian revenues. The agreement of 1887 provides for the suppression of all local manufacture in consideration of an annual compensatory payment of Rs. 38,000.

Ra. 38,000

After full consideration of relevant circumstances we are of opinion that the compensation was paid for the transfer of taxation rights within the State and is therefore an immunity.

Pudukkottai ..

18 1887

APPENDIX V—(contd).
SCHEDULE C—contd.

Serial No.	Date of Agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
19	1870 1875 1884 1931	Mandi	<p>This State has been placed last in chronological order because, though its earlier salt agreements were made many years ago, its rights are now determined by an agreement concluded in 1931.</p> <p>The State possesses rock salt mines which produce salt of an inferior quality consumed only by the very poor and by animals. It is estimated (but not admitted by the Darbar) that an annual quantity of 52,000 out of a total production of 1,07,000 maunds is consumed in British India. The remainder is consumed in Mandi and other neighbouring States. Under the agreement signed in 1931, which will expire in 1937, the Darbar collect duty on all salt exported from their mines at 1/5th of the prevailing British Indian rate and pay to the Government of India Rs. 6,000 per annum "as a compensation for the loss of duty on Mandi salt sold in British territory".</p> <p>It was agreed at the discussion between the Committee and the Darbar's representatives that in the present circumstances Mandi enjoys an immunity from the salt tax to the extent of the amount which would be realized by British India on the quantity produced in the State less the composition (Rs. 6,000) paid to British India.</p>	<p>Right to produce and tax salt. Value taken on production of 1,07,000 maunds at 1/5th of the prevailing rate of duty (namely 5 annas) less composition of Rs. 6,000.</p>	Rs. 27,438
Total of immunities under Schedules A, B and C.					Rs. 38,15,151

APPENDIX V—*contd.*
SCHEDULE D.—Cutch and Kathiawar.

Serial No.	Date of Agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
1	1885	Cutch	<p>The Maharao agreed (1) to prevent the export of Cutch salt to other parts of India, (2) to regulate the export of Cutch salt to foreign ports outside India so as to safeguard against possible smuggling of such salt into India. The agreement left the Cutch Darbar free to make any arrangement which it might consider suitable in regard to the manufacture and taxation of salt for consumption within the State only.</p> <p>These Darbars undertook "so to regulate the production of salt in Kathiawar for the consumption of its inhabitants that no salt produced in Kathiawar may be conveyed into British India". Details of the requirements to this end were annexed.</p> <p>The same undertaking was given by these States but certain requirements suitable only to maritime States were omitted.</p>	<p>The population of Cutch (514,307 in 1931) consume salt of local production which pays no tax to the Government of India. A consumption at the rate of 12 lbs. per head is assumed—viz., 75,264 maunds.</p>	Rs. 1,17,600
2	1883	Maritime States of Kathiawar.			
3	1883	Inland States of Kathiawar, capable of salt production (except Dhrangadhre).			

APPENDIX V—(contd.).

SCHEDULE D—(contd.).

Serial No.	Date of Agreement.	Name of State.	Nature and origin of ascertained existing rights.	Nature of immunity.	Annual value of immunity at Rs. 1/9 per maund.
4	1883 1900 1931	Dhrangadhra	<p>There is a long and controversial history attached to the agreements with this State with special reference to its right to manufacture that kind of salt which is known as "Baragra". But that history is immaterial to the question of the degree of immunity from the British Indian salt tax which its inhabitants enjoy.</p> <p>These States undertook to make arrangements that their inhabitants should be supplied with salt "licitly obtained from some recognized salt source" and to co-operate in the prevention of the export of salt from Kathiawar by land. Salt was to be sold only by licensed vendors who must obtain their supplies through the Darbar and the stocks in hand were not to exceed local requirements.</p> <p>It will be observed that all the Kathiawar agreements leave the Darbars free to make such arrangements as they consider suitable for obtaining salt for local consumption and for its taxation. Excluding Baroda's Kathiawar possessions and Jafarabad (included in Schedule C) the population of Kathiawar (1931) is 2,766,538.</p>		
5	1883	Inland States of Kathiawar incapable of salt production.		<p>The whole of this population is immune from the payment of British Indian salt tax. Consumption at 12 lbs. per head amounts to 4,04,859 maunds.</p>	Rs. 6,32,592.

1887	Baroda (Kathiawar districts).	<p>The possessions of the Gaekwar of Baroda in Kathiawar were subjected to the same limitations in respect of salt as those accepted by the maritime States of Kathiawar. The population of Baroda's Kathiawar possessions is 178,060 (1931). They enjoy complete immunity and their consumption at 12 lbs. per head would be 26,057½ maunds.</p>	Complete immunity.	Rs. 40,714
			Total annual value of immunities - ..	Rs. 46,057





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APPENDIX VI.

Extent of immunity of States from contribution to central customs revenue
(1930-31.)

					<i>Rs. lakhs.</i>
Baroda—Port Okha	..	..	..	..	3.80
Bhavnagar	..	..	..	..	51.05
Cambay	..	..	..	..	.09
Cochin	..	..	..	..	12.57
Cutch	..	..	..	..	8.0
Janjira : Jafarabad	..	..	..	..	.45
Other ports	..	..	..	..	.20
					<hr/> 65
Junagadh	..	..	..	..	13.71
Kashmir	..	..	..	..	25.0
Mangrol	..	..	..	..	1.18
Morvi	..	..	..	..	4.63
Nawanagar	..	..	..	..	44.0
Porbandar	..	..	..	..	5.06
Savantwadi	..	..	..	..	.11
Travancore	..	..	..	..	12.57
					<hr/> 182.42

The above assessment is based on the figures of one year only—1930-31—and in the nature of the case, cannot be taken to represent permanent immunity values.

The assessment for Cochin and Travancore is arrived at on the assumption that the 1925 agreement had been given effect in 1930-31. Export duties are not included in the assessment, for the reason that they are levied on goods not subject to British Indian export duty.

The assessment for Cutch has no reference to British Indian tariffs and only states the amount collected by the State, both in import and export duty, at its own tariff rates.

The valuation placed on the Kashmir immunity is not based on 1930-31 figures, but is given as the average figure at which we consider it may be fairly assessed.

APPENDIX VII.

DISTRIBUTION, NATURE AND VALUE OF RIGHTS ENJOYED BY STATES IN RESPECT OF POSTS AND TELEGRAPHS.

SCHEDULE A (1).—States which maintain separate Postal systems and have entered into Conventions with the Government of India.

Serial No.	Name of State.	Nature of Right.	Annual Value of Right.
1	Chamba ..	<p>All these States possess their own postal departments, the relations of which with the Government of India Posts and Telegraphs Department are governed by conventions. These conventions provide, <i>inter alia</i>, for :—</p> <p>(a) mutual exchange of correspondence, parcels and money orders ;</p> <p>(b) establishment of "offices of exchange", which are the media of exchange for certain classes of postal matter and which prefer accounts in connection with money orders ;</p> <p>(c) recognition of postage stamps and the extent to which State stamps may be used ;</p> <p>(d) determination of responsibility for the loss of insured articles ;</p> <p>(e) mutual responsibility for bearing the cost of conveying mails.</p>	<p>For reasons indicated in Chapter VIII it has not been found practicable to assess a cash valuation on these privileges.</p>
2	Gwalior ..		
3	Jind ..		
4	Nabha ..		
5	Patiala ..		

APPENDIX VII—(contd.).

SCHEDULE A (2).—States which maintain separate Postal systems but, having no Conventions with the Government of India, are in "postal isolation".

Serial No.	Name of State.	Nature of Right.	Annual Value of Right.
1	Charkhari ..	<p>These States have the monopoly of carrying all mails consigned from one place to another within the limits of their respective territories. In order to safeguard the unity of the Indian postal system and the convenience of the public a certain number of offices are also maintained in their territories by the Government of India's Posts and Telegraphs Department. Correspondence consigned to places outside State limits, unless posted at these latter offices, has to pay both British Indian and State postage fees.</p>	<p>For reasons indicated in Chapter VIII it has not been found practicable to assess a cash valuation on these privileges.</p>
2	Cochin ..		
3	Hyderabad ..		
4	Jaipur ..		
5	Junagadh ..		
6	Kishengarh ..		
7	Orchha ..		
8	Shalipura ..		
9	Travancore ..		
10	Udaipur ..		

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APPENDIX VII—(contd.).
SCHEDULE B.—States which receive free annual grants of service stamps.

Serial No.	Name of State.	Annual value of immunity arising from free issue of stamps.	Remarks.
1	Alwar ..	Rs. 30,000	These stamps are intended for external correspondence only, correspondence within the State being carried free of charge by the Government of India Postal Department— <i>vide</i> Schedule C.
2	Bahawalpur ..	Rs. 4,000	
3	Baroda ..	Rs. 85,000	
4	Bharatpur ..	Rs. 12,000	
5	Bhopal ..	Rs. 8,380	
6	Bikaner ..	Rs. 35,000	
7	Bashahr ..	Rs. 600	These stamps are intended for external correspondence only. As regards internal correspondence— <i>vide</i> Schedule C.
8	Cooch Behar ..	Rs. 9,000	
9	Datia ..	Rs. 5,000	
10	Dhar ..	Rs. 3,000	
11	Faridkot ..	Rs. 1,000	
12	Gwalior ..	Rs. 480	The amount stood at Rs. 3,600 in 1876 but has been gradually reduced since the Gwalior State established its own postal system in 1884-5.
13	Idar ..	Rs. 550	



14	Indore	..	Rs. 35,000
15	Jhalawar	..	Rs. 2,400
16	Jodhpur	..	Rs. 39,000
17	Jubbāl	..	Rs. 250
18	Kalsia	..	Rs. 450
19	Kashmir	..	Rs. 20,000
20	Kotah	..	Rs. 15,000
21	Loharu	..	Rs. 300
22	Malerkotla	..	Rs. 900
23	Mandi	..	Rs. 700
24	Panna	..	Rs. 900
25	Sikkim	..	Rs. 1,500
26	Sirmur	..	Rs. 1,275
27	Suket	..	Rs. 700
Total			Rs. 3,12,385

APPENDIX VII—(contd.).
 SCHEDULE C.—States whose official correspondence is carried free of charge by the Government of India Postal Department.

Serial No.	Name of State.	Remarks.	Estimated annual value of immunity.
1	Bahawalpur ..	State correspondence is carried free within State limits, a grant of free service stamps up to a total value of Rs. 4,000 per annum (<i>vide</i> Schedule B) being made for external correspondence. It is estimated that, if the articles now carried free within State limits had to bear stamps at British Indian rates, the revenue accruing therefrom to the Posts and Telegraphs Department would be Rs. 41,500 per annum. As a partial set off to this the State contributes Rs. 6,000 per annum.	Ra. 35,500
2	Banganapalle ..	All official articles posted by officials of this State in Imperial offices within the State and intended for delivery within it, and all articles addressed by the officials of the State to the Political Agent, are transmitted free of charge.	Ra. 100
3	Bhopal ..	The postal department of this State was abolished in 1908 and the terms on which postal unity was achieved now stand as follows :— (a) The Indian Posts and Telegraphs Department conveys the official correspondence of the State within the limits of its territories free of charge, and (b) the State receives a free grant of service stamps (<i>vide</i> Schedule B) for use on letters sent out of the State. The value of (a) at British Indian rates is estimated at Rs. 42,800 per annum.	Ra. 42,800

Ra. 5,57,700.

Mysore was incorporated in the British Indian postal system in 1888, the price paid for securing unity being the concession that the whole of the official correspondence of the State would be carried, within State limits, free of any cost to the Darbar. Previous to this arrangement Mysore was maintaining its own postal department at an annual loss of about Rs. 65,000. This figure did not, however, contain any credit item in respect of official correspondence and if the carriage of such correspondence had been paid for, the receipts would have risen by 1½ lakhs of rupees, transforming the deficit of Rs. 65,000 into a considerable surplus. It is estimated that if the articles which are now carried free for the State had to be paid for at the British Indian rates, the revenue accruing therefrom to the Posts and Telegraphs Department would be Rs. 5,57,700 per annum.

Ra. 29,300

In 1893 postal unity with this State was secured on the same terms as had been granted to Mysore. The cost of conveyance of State correspondence is estimated at Rs. 29,300.

Ra. 49,240

The State pays annually to the Indian Posts and Telegraphs Department a contribution of Rs. 5,160 and, in consideration of this payment, it enjoys the privilege of free carriage of its correspondence over the mail lines of that Department within the limits of the State. The value of this privilege at British Indian rates is estimated at Rs. 54,400 per annum, from which must be deducted the contribution paid by the State.

Ra. 7,14,840

Total of estimated immunities under Schedule C

Mysore

..

..

5

Putukkottai

..

6

Rewa

..



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